

FINANCIAL MARKET REPORT

1ST QUARTER, 2018



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A review of Ghana's financial market during the first three months of 2018.

KEY ECONOMIC INDICATORS

Inflation

Consumer inflation remained largely stable during the quarter with significant moderation in price pressures. Inflation stood at 10.4 percent at end of the quarter from 11.8 percent the previous quarter. Inflation for January and February were 10.3 percent and 10.6 percent, respectively.

Monetary Policy

The Bank of Ghana extended its monetary policy easing stance during the quarter. The BoG reduced its policy rate by 200 basis points to 18 percent on the back of easing inflation expectations. Inflation fell to 10.4 percent in the quarter from 11.8 percent the previous quarter. The BoG forecast consumer inflation to ease to between 6 and 10 percent by the second quarter of 2018.

The BoG reduced the policy rate by 550 basis points in 2017 to 20 percent.

Foreign Exchange

The Ghana cedi strengthened considerably against the US dollar during the first quarter on the back of positive investor sentiment.

The currency closed the quarter at 4.4044 per US dollar from 4.4157 the previous quarter, yielding a year-to-date performance of 0.26 percent [appreciation] compared to a depreciation of 2.7 percent during the same period in 2017.

FAST FACTS

18%

MONETARY POLICY
RATE

10.4%

CONSUMER INFLATION
(MARCH 2018)

13.36%

91-DAY T-BILL RATE

+0.26%

USD/GHS YTD CHANGE

30.51%

GSE COMPOSITE
INDEX YTD RETURN

24.50%

BASE RATE INDUSTRY
AVERAGE (AS AT
FEBRUARY 28, 2018)

	March 29, 2018	Dec 29, 2017	YTD Chg.
USD/GHS	4.4044	4.4157	+0.26%
GBP/GHS	6.1816	5.9669	-3.50%
EUR/GHS	5.4179	5.2963	-2.20%

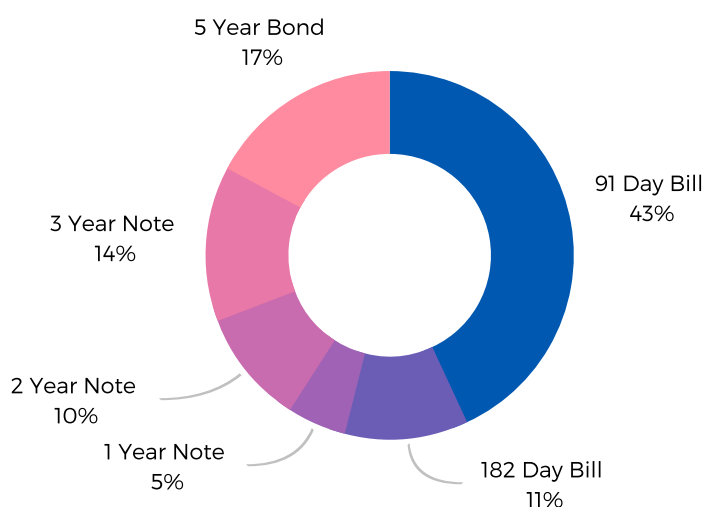
TREASURY SECURITIES

Government borrowing from the domestic market slowed in the quarter as government aims to reduce the fiscal deficit from an estimated 5.6% in 2017 to 4.5% in 2018. The Government sold a total of about 11.6 billion cedis in debt during the quarter compared to the 16.3 billion cedis issued in the same period last year.

Demand for the debt securities largely evened out supply in the quarter. About 99.7 percent of total demand, which constituted 100 percent of the Government's target, was served..

	End of Q1 (2018)	2017 - Q4	YTD Chg.
91-Day T-Bill	13.36%	13.34%	+2 bps
182-Day T-Bill	13.90%	13.88%	+2 bps
1-Year Note	15.00%	15.00%	0 bps
2-Year Note	16.50%	17.50%	-100 bps
3-Year Note	16.50%	18.25%	-175 bps
5-Year Note	16.50%	17.60%	-110 bps

Demand in the quarter was strongest for 91-Day T-Bills, which constituted 42 percent of all issue.



EQUITIES

The stock market grew 30.5 percent during the first quarter to close at 3366.85 points on the back of positive investor sentiment underpinned on improving macroeconomic environment. Market capitalization rose 9.5 percent to 64.37 billion cedis. Overall, the market recorded 17 gainers and 8 losers during the quarter.

	Price (GHC)	YTD Gain/Loss	% Chg. (YTD)
GSE-CI	3,366.85	+787.13	+30.5%
GSE-FSI	3052.35	+741.77	+32.1%

MAJOR WINNERS - 2018Q1

SIC	0.38	0.28	+280.0%
SOEGEH	2.31	1.49	+181.7%
GOIL	4.99	2.30	+85.5%
PZC	0.37	0.17	+85.0%
MLC	0.10	0.04	+66.7%

MAJOR LOSERS - 2018Q1

PBC	0.04	-0.02	-33.3%
ALW	0.11	-0.05	-31.3%
TBL	0.30	-0.05	-14.3%
ACCESS	3.60	-0.45	-11.1%
HFC	1.29	-0.10	-7.2%

BRIEFING

BoG introduces Ghana Reference Rate

The Bank of Ghana in consultation with the Ghana Association of Bankers has reviewed the Base Rate model and developed a new framework for base rate determination. Among others, the objective of the review was to fulfil the bank's commitment to move towards a more market based model of base rate setting, in the medium to long term.

The 'Base Rate' emanating from this model is now a Reference Rate rather than a Minimum Lending Rate for all banks as was the case with the previous model. Thus, a bank shall price its Flexible and Fixed term loans by adding or subtracting its risk premium to the Ghana Reference Rate.

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SOURCES:

Bank of Ghana, Ghana
Statistical Service, Ghana
Stock Exchange, Reuters



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