

# FINANCIAL MARKET REPORT

2ND QUARTER, 2018



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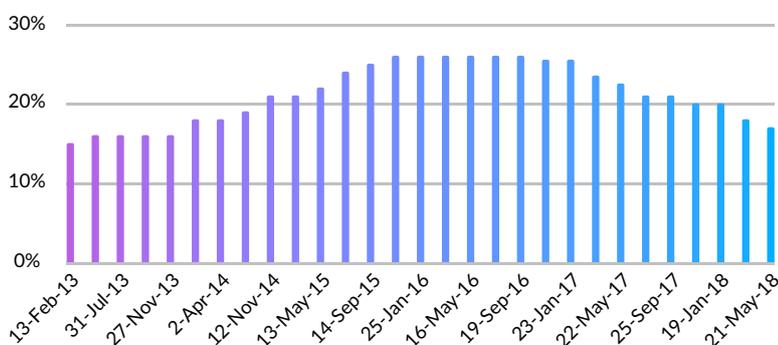
Review of events in Ghana's financial market during the second quarter of 2018 and outlook for the third quarter.

## KEY ECONOMIC INDICATORS

### MONETARY POLICY

The Bank of Ghana extended its monetary policy easing stance during the quarter. The BoG reduced the monetary policy rate (MPR) by a total of 100 basis points to 17 percent (the lowest rate since February 2014), extending total reduction in 2018 to 300 basis points.

Overall, the BoG has reduced the MPR by 850 basis points since March 2017 when it aggressively began cutting the rate with the aim of boosting private-sector borrowing and consumer spending and stimulate economic growth. The MPR trend for the past 5 years is illustrated below.



### MPR Outlook

The Monetary Policy Committee of the BoG is expected to keep the policy rate unchanged at 17 percent in the third quarter due to a potential growth in inflationary pressures in the quarter (Q3) as a result of rising fuel prices and exchange rate volatility.

### INFLATION

Price developments in the quarter, although benign, was unfavourable, signaling potential inflationary pressures in the short-term. Consumer inflation edged up from 9.6 percent in April to 9.8 in May and further to 10.0 percent in June. Nonetheless, the quarter is the first since the last quarter of 2012 (i.e. 2012Q4) to have recorded (at least) a single digit consumer inflation rate. Further, inflation stayed within the Bank of Ghana's medium-term target band of 8 percent plus/minus 2 percent.

## FAST FACTS

10%

CONSUMER INFLATION  
(JUNE 2018)

17%

MONETARY POLICY  
RATE

16.19%

GHANA REFERENCE  
RATE (JUNE 2018)

13.34%

91-DAY T-BILL RATE

-2.37%

USD/GHS YTD CHANGE

+11.6%

GSE COMPOSITE INDEX  
YTD RETURN

+18.0%

YTD CHANGE IN BRENT  
CRUDE OIL PRICE

+27.9%

YTD CHANGE IN COCOA  
PRICE

+1.1%

YTD CHANGE IN GOLD  
PRICE

### Inflation Outlook

Global and domestic developments such as rising crude oil prices and exchange rate volatility are expected to pose a threat to inflation in the third quarter. Consumer inflation is expected to lift up marginally.

### INTERBANK FOREIGN EXCHANGE

The Ghana cedi experienced some level of depreciation against the US dollar during the quarter. The currency closed at 4.5230 per US dollar from 4.4044 the previous quarter, representing a 2.62 percent depreciation in Q2 compared to an appreciation of 0.26 percent in the first quarter.

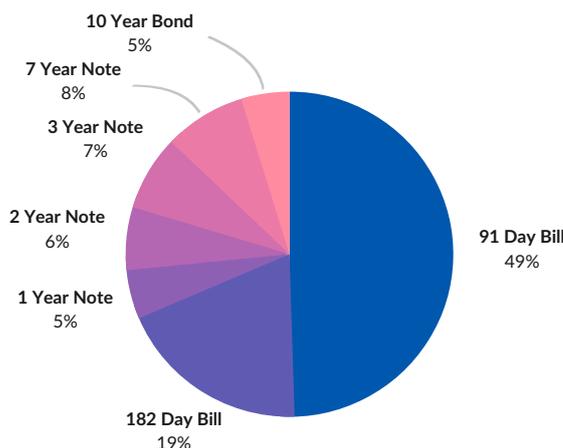
The poor performance of the currency was largely due to global pressures and unmet corporate dollar demand. Strengthening US dollar, as reflected in a 5 percent gain of the US dollar index, coupled with rising US treasury yields lead to reduced capital (net dollar) inflows. Additionally, speculating activities on the forex market in relation to MTN Ghana's IPO affected the currency. MTN is expected to repatriate more than 95 percent of the about \$750 million offer value by the close of the year.

	Closing Rate	Quarter Chg.	YTD Chg.
USD/GHS	4.5230	-2.62%	-2.37%
GBP/GHS	5.9681	+3.58%	-0.02%
EUR/GHS	5.2808	+2.60%	+0.30%
CNY/GHS	0.6828	+2.52%	-0.58%

On the other hand, the Ghana cedi appreciated considerably against other major trading currencies including the Euro, British Pound and Chinese Reminbi.

### TREASURY SECURITIES

Demand for government treasury securities slowed during the quarter with the Government raising approx 10.02 billion cedis of its target of 11.41 billion cedis. The 91-Day T-Bill constituted the highest share of all issued securities with 49 percent followed by the 182-Day T-Bill with 19 percent; see the chart below.



### NEWS WRAP

#### MTN Ghana Launches IPO GHS 3.48 billion

MTN Ghana, on May 29 launched an Initial Public Offering (IPO) in with the intention of listing on the Ghana Stock Exchange (GSE). The offer is expected to close on 31 July 2018.

Under the IPO, MTN Ghana is offering up to 4,637,394,533 MTN Ghana shares, consisting of a combination of newly issued shares and a sale of existing shares held by MTN Group Limited. The public offer represents up to 35% of the issued shares of MTN Ghana, which implies an enterprise valuation of approx GHS 10 billion for MTN Ghana.

MTN Ghana is the leading provider of mobile telecommunications services in Ghana with over 17.83 million subscribers, representing a market share of approximately 55.09% as at December 2017.

Yields on short-term treasury securities remained largely flat during the period and eased considerably on long term securities. See the table below.

	Closing Yield	Quarter Chg.	YTD Chg.
91-Day T-Bill	13.34%	-3 bps	-1 bps
182-Day T-Bill	13.87%	-3 bps	-1 bps
1-Year Note	15.00%	0 bps	0 bps
2-Year Fixed Note	16.00%	-50 bps	-150 bps
3-Year Fixed Bond	16.25%	-25 bps	-200 bps
7-Year Bond	16.25%	-350 bps	-350 bps
10-Year Bond	17.50%	-150 bps	-150 bps

## COMMODITIES

On the global commodities market, Brent crude oil gained 13.8 percent during the quarter to extend the commodity's 2018 price gain to 27.9 percent. On the other hand, cocoa and gold prices declined by 2.5 percent and 3.4 percent, respectively, during the quarter. See the table below.

	Price (\$)	Quarter Chg.	YTD Chg.
Cocoa	2,435.70/t	-2.5%	27.9%
Brent Crude Oil	75.9/bl	13.8%	18.0%
Gold	1,281.10/oz	-3.4%	1.1%

## EQUITIES

The GSE Composite Index declined by about 14.5 percent in the second quarter compared to a gain of about 30.5 in the first quarter, hence closing Q2 at a YTD gain of 11.6 percent. Market capitalization fell by about 14.1 percent to approximately 55.28 billion cedis. Overall, the market recorded 11 gainers and 14 losers. Produce Buying Company, PZ Cussons Ghana Limited and Digicut Production were the lead gainers whereas Societe Generale Ghana Limited, Enterprise Group Limited and Starwin Products Limited were the major losers. See the tables below for more details.

### Overview of the stock market during the second quarter

	Closing Price (GHC)	[Q2] Gain/Loss
GSE-CI	2,879.43	-14.5%
GSE-FSI	2,582.66	-15.4%
<b>MAJOR WINNERS</b>		
Produce Buying Co. Ltd.	0.05	+25.0%
PZ Cussons Ghana Ltd.	0.45	+21.6%
Digicut	0.09	+12.5%
<b>MAJOR LOSERS</b>		
Societe Generale Ghana	1.26	-45.5%
Enterprise Group Ltd.	3.02	-37.3%
Starwin Products Ltd.	0.02	-33.3%

## NEWS WRAP

### Ghana's economy grew 6.8 percent in Q1

Ghana's economy grew 6.8 percent year-on-year in the first three months of 2018 compared to 6.7 percent in the same period last year

The quarter-on-quarter seasonally adjusted growth rate was 1.5 percent, down from 2.1 percent in the last three months of 2017.

Non-oil growth for the first three months stood at 5.4 percent year-on-year compared to 4 percent last year.

Services expanded most at 60.6 percent, followed by industry at 27.5 percent and agriculture at 11.9 percent

## Year-to-date Performance of the stock market

	Price (GHC)	YTD Gain/Loss
GSE-CI	2,879.43	+11.6%
GSE-FSI	2,582.66	+11.8%

### MAJOR WINNERS

SIC Insurance Co. Ltd.	0.39	+290.0%
PZ Cussons Ghana Ltd.	0.45	+125.0%
Mechanical Lloyd Co. Ltd.	0.11	+83.3%
Societe Generale Ghana Ltd.	1.26	+53.7%
Ghana Oil Company Ltd.	4.00	+48.7%

### MAJOR LOSERS

Aluworks Ltd.	0.09	-43.8%
Starwin Products Ltd.	0.02	-33.3%
Tullow Oil Plc	12.38	-27.8%
Fan Milk Ltd.	13.7	-22.6%
Enterprise Group Ltd.	3.02	-18.4%

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## SOURCES

Bank of Ghana, Ghana Statistical Service, Ghana Stock Exchange, World Bank, Bloomberg, Reuters.

## ABOUT PENT ASSET

We are an indigenous investment firm licensed by the Securities and Exchange Commission (SEC) and the National Pensions Regulatory Authority (NPRO) to provide investment advisory and fund management services.

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## NEWS WRAP

### Vodafone Ghana Plans IPO After Government Talks Over Funding

Vodafone Ghana will proceed with plans to list on the local stock exchange if talks with government over unfulfilled funding pledges lead to a resolution. The Ghana government holds a 30 percent stake after it sold 70 percent of Ghana Telecom to Vodafone for \$900 million in 2008.

Vodafone Ghana is the third-largest mobile telecommunications service provider, after MTN and AirtelTigo.