



Review

Quarter 1, 2009

Equities

The first Quarter witnessed more pronounced drops in stock prices for most actively traded equities as the bearish outlook continued. The performance of the Ghanaian bourse as a whole continued to be slow and poor over the entire period, reflecting its performance in the last quarter of year 2008. Although most company results released during the period showed solid fundamentals, these results did not translate onto the Stock Market and investors continued to cash in whenever they could and probably transfer funds to the Money Markets instead. The uncertainty surrounding the incoming Government's fiscal policy and externalities like the direction of major commodity prices (crude oil, cocoa and gold), and decreased remittances from abroad because of the global credit crunch all contributed to driving many investor funds towards the safer and better yielding Money Market instruments. A significant number of trading days were acutely dull, resulting in no trades and no price changes. 17.3 million shares valued at GH¢13.78 million were traded, compared with an 83.2 million share volume and GH¢51.39m value respectively in 2008 Quarter 1.

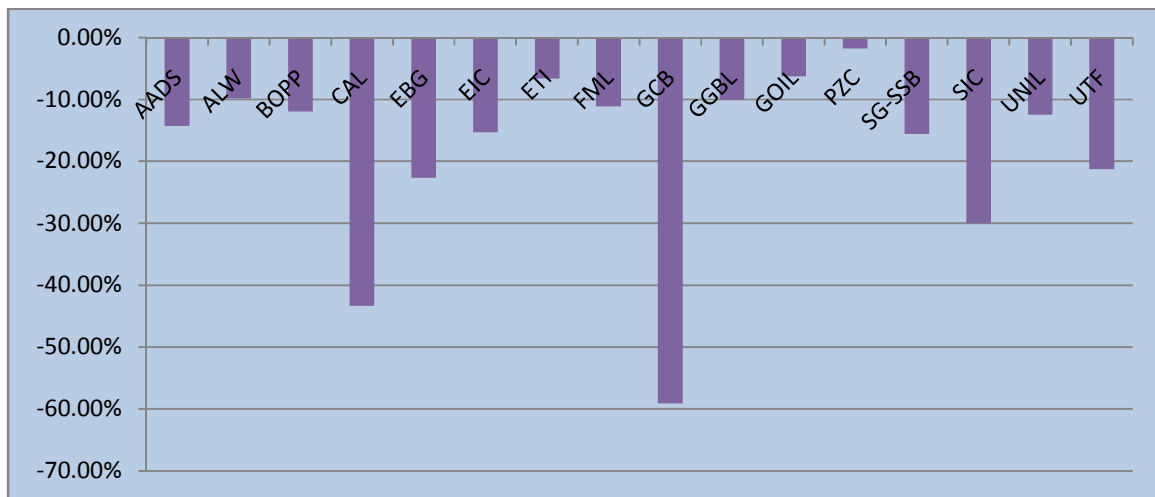
The GSE All Share Index started the year at 10,431.64 points. By the close of the Quarter, it had fallen 1,184.47 points (representing a fall of 11.35%) to 9,247.17 points. This is in sharp contrast to the 2008 Quarter 1 increase of 18.9%. Market capitalization fell by 3.06% to GH¢17.24 billion from GH¢17.79 billion. GCB was the largest contributor to this drop. It led by volume of trades (48.7%) and by value of trades (52.8%). Other most actively traded equities were (by volume): CAL (27.8%) and ETI (6.9%) and (by value): SCB (21.6%) and CAL (14.2%).

There was not a single stock with a price appreciation at the end of the Quarter compared to the beginning. All eighteen (18) equities which experienced price movements were price losers, led by financial stocks GCB (-59%), CAL (-43%), SIC (-30%), EBG (-23%) and new entrant, UTF (-21%).

The conversion of paper certificates of shares to electronic form also continued during the Quarter to bring the Ghana Stock Exchange closer to full automation. This will enable investors make real-time investment decisions involving shares, reduce clearing and settlement periods and generally increase liquidity and market activity.

1st Quarter financial statements released by most listed companies have shown strong operating performances and resilience even in a period of harsh national and global economic conditions. We expect, going forward, prices of equities to begin to stabilize by the end of the second quarter. Investors can take advantage of lower than market prices of equities, think more medium to long-term than short-term, revive their interest in the stock market and begin acquiring shares. CAL, EBG, GCB, SIC, SG-SSB and FML could be good acquisitions.

Price Changes (%) by the end of Quarter 1 2009

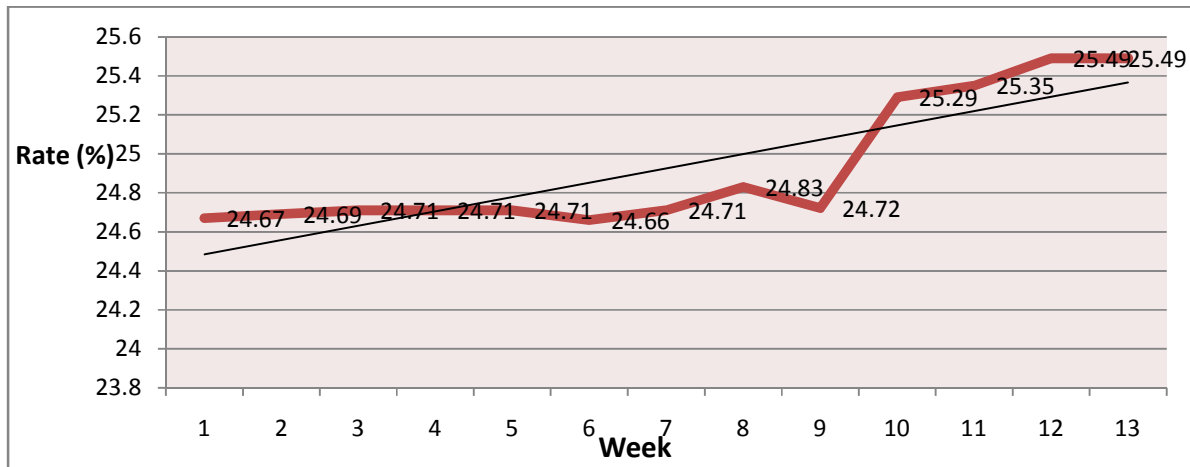


Money Market Securities

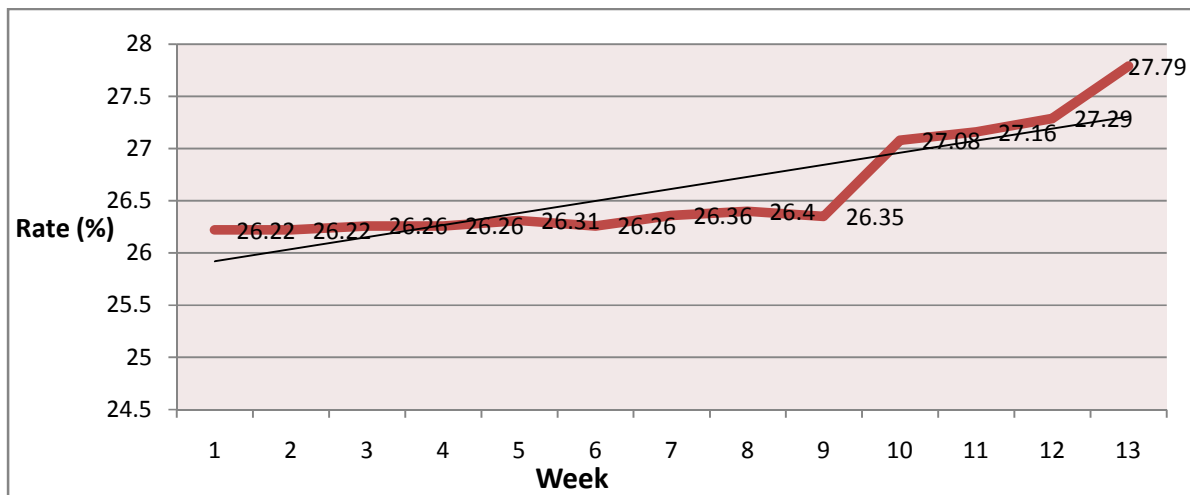
Driven by rising inflation and the Central Bank’s use of its prime rate to rope in inflation, money market instruments continued to be an attraction to investors for their high yields. Short-term securities met the need of investors who were uncertain about how long the rising interest rates could be sustained in the light of new Government fiscal policy and direction. The most attractive tenor for Government securities continued to be 182 days. 182-day Treasury bill rates began the year at 26.22% and rose gradually to 27.79% by March 31, 2009. By the end of the Quarter, there were strong indications of a further rise. The 91-day Treasury bill rate also experienced a rise to 25.49% from 24.67%, leveling off close to the end of the Quarter.

By 31st March 2009, year-on-year inflation had risen to 20.34% from the 2008 year-end figure of 18.13%. A decrease in month-month changes (2.64% to 2.00% from January to March 2009) in year-on-year inflation figures may confirm suspicions of an impending reversal and imminent lowering of inflation, and interest rates by extension. Investors may consider reviewing their investments in short-term fixed income securities during the next Quarter and gradually migrate towards the Stock Market.

Weekly 91-day Treasury bill rates (Jan 2009 to March 2009)



Weekly 182-day Treasury bill rates (Jan 2009 to March 2009)



Currency Market

The redenominated Ghanaian Cedi continued to suffer from a deterioration of the country's foreign currency reserves position and uncertainty about how the currency would hold its own against some major trading currencies. For the period, the Ghanaian Cedi depreciated by 9.40%, 8.27%, 16.49%, 9.83%, 12.50% and 9.92% against the Canadian Dollar, the Japanese Yen, the Norwegian Kroner, the South African Rand, the US Dollar and the UK Pound Sterling respectively.

The outlook for foreign exchange remains uncertain. A lot hinges on the direction of commodity prices (crude oil, cocoa and gold) as well as the country's ability to attract tourists, foreign direct investments

and remittances from abroad. Measures instituted by the Central Bank and Government are expected to bring stability in the foreign exchange market in the short-term. This should ensure that the target average inflation rate of 15.3% and end-of-year inflation rate of 12.5% are achieved.

Performance of Ghanaian Cedi against some Major Trading Currencies (Jan. 05, 2009 to Mar. 30, 2009)

