



Third Quarter Review

Economy

The global economic crises showed credible signs of a slowdown at the end of the Second Quarter. For the first time since the beginning of the crisis, there is consensus revision of global growth upwards to 2.5 percent in 2010 compared with an earlier forecast of 2.0 percent at the end of the first quarter of the year. The favourable trend continued into the third quarter, with an easing of inflationary pressure, a more stable local currency. Crude oil prices increased gradually, informed by the belief that the worst of the global crises may have been over and that some large developing economies, particularly China, were on the verge of restoring double digit economic growth.

The return of the country to the World Bank and IMF for support as part of a comprehensive framework for stabilization helped as the inflow of these donor assistance eased the demand for hard currency to meet crucial import needs and to unwind fiscal and monetary policy imbalances. However, fuel shortages which occurred during the quarter threatened to disturb the growing stability.

Commodity prices for the Quarter were positive for the country. While the main import commodity, crude oil, hovered around the \$65 mark, cocoa and gold prices increased 30% and 7%. If these encouraging conditions prevail till the end of the year, it may bring the economy closer to realizing macroeconomic targets set earlier in the year in the Government's Budget.

Inflation dipped for the first time in August, from 20.50% to 19.65%. It further decreased to 18.37% in September. Interest rates were fairly stable, with bank base lending rates ranging from between 24% and 32%.

Stock Market

By mid-July, there were positive indications that the Stock Market revival was commencing. A bullish run was sustained till mid September. However, the Quarter saw the All-Share Index rise from 5,423.98 to 6,292.14, a 16% rise. Additionally, the year-to-date change in the index saw an improvement from -48% at the end of June to -39.68%.

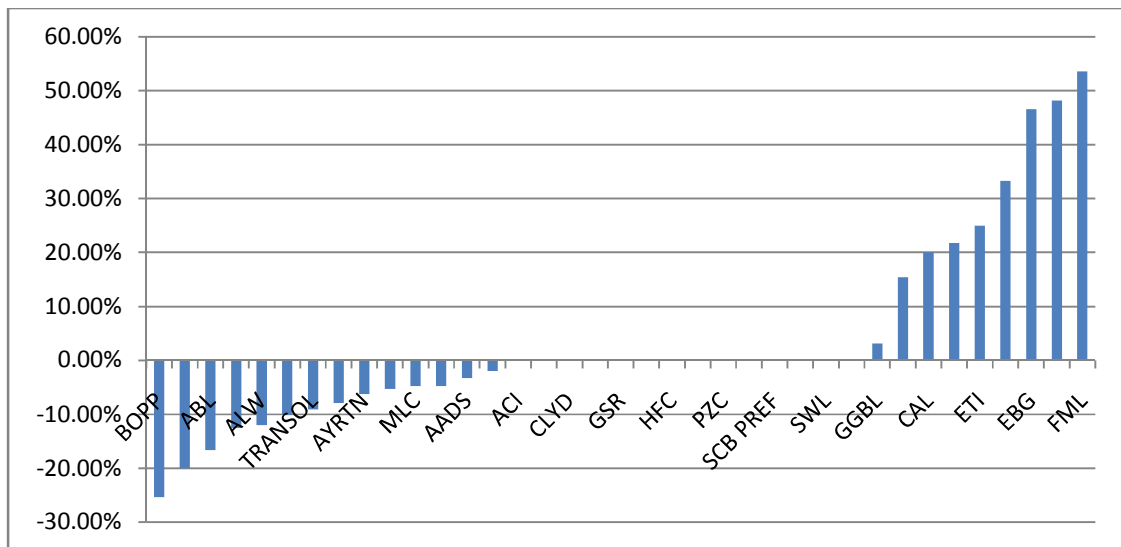
As many as eight stocks experienced more than 15% price appreciations. The best performers were FML (53.57%), GCB (48.15%), EBG (46.60%) and CFAO (33.33%). These were countered by losses in BOPP (-25.37%), CPC (-20.00%), ABL (-16.67%) and in eleven other stocks. Fourteen shares showed no net change in price from June 30 to September 30.

It is believed that confidence in the equities market is gradually being restored and foreign institutional investors have renewed their interest in the Ghanaian bourse. The losses in the fourteen shares may have been a result of investors taken advantage of improved liquidity on the Market to cash out to meet their liquidity needs.

In the fourth quarter, the trend may not change sharply as some investors continue to increase their stakes in shares while some others may cash out for the season's festivities.

The chart below depicts how stocks on the bourse performed during the Quarter.

Stock Price Performance- June 30 to September 30, 2009

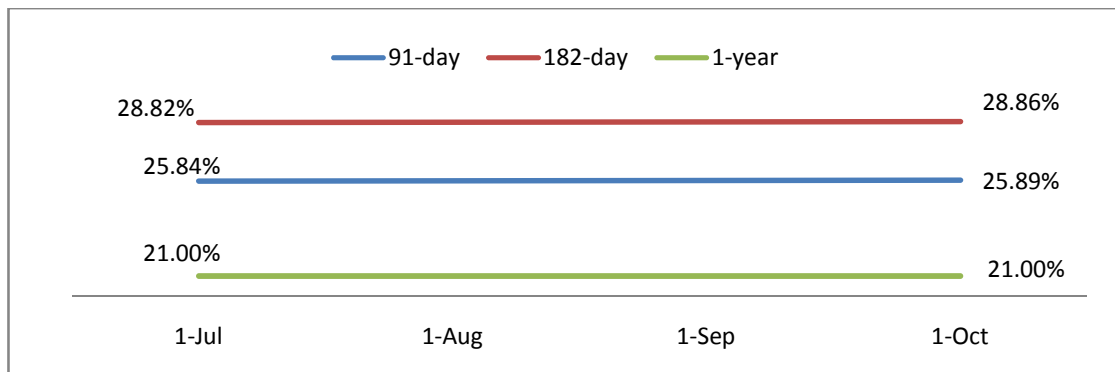


Money Market

The money market continued to be an attractive destination for investor funds, providing high returns and relative safety, compared with the volatile Stock Market. The Monetary Policy Committee of the Central Bank held its Prime Rate at 18.5%. Short-term Government Treasuries set the tone, with rates adjusting only slightly from 25.84% to 25.89% for 91-day Treasury Bills, and from 28.82% to 28.86% for 182-day Treasury Bills. The 1-year Treasury note was however held at 21.00%. Fixed deposits rates for 3-month, half-year and 1-year instruments were similarly stable.

A number of commercial banks revised medium to long term rates downwards, reflecting the largely held view that rates may soon begin to go down. We expect investor funds to gradually migrate towards medium to long term instruments for this reason.

Trend of Short-Term Government Treasury Rates- June 30 to September 30, 2009



Currency Market

During the Quarter, the Ghana Cedi was fairly stable against the three major foreign currencies: the US Dollar, the British Pound and the Euro. It depreciated by 3.7% and 0.03% against the Euro and the US Dollar. It however appreciated by 3.3% against the British Pound.

The local currency is largely expected to show similar stability in the ensuing Quarter, despite the seasonal high demand for foreign currency to cover imports for the festivities in December.