Business Briefing

Moody's Warn on Country's Rating

Moody's Investor Service says that the country's rating of B1, negative outlook, is constrained by the ongoing weakness in the government's fiscal position due to ongoing spending overruns on the public-sector wage bill, high interest costs, and the clearance of payment arrears. These factors are partially offset by the economy's robust growth potential, supported by its abundant natural resources. The rating agency's report is an update to the markets and does not constitute a rating action. Moody's says that additional constraints to Ghana's B1 rating include delays to fiscal consolidation plans and the government's recent decision to impose currency controls and hike interest rates. Other factors weighing on Ghana's creditworthiness include the government's deteriorating debt trend, with the debt-to-GDP ratio forecast to reach 51.2% of GDP by end of 2014, and the intensification of domestic financing pressures. Domestic debt-servicing costs in 2013 were almost 40% above the government's budgeted level and now consume 20% of government revenues. Ghana is also susceptible to a degree of external economic shocks - reflected in the elevated external vulnerability measures, notably in the form of a large current account deficit and low foreign exchange reserves.

Moody's notes that Ghana's key credit strengths include the economy's strong growth potential as a result of its abundant natural resources, further supported by the development of its oil and gas potential. While the economy is small, it is more diversified than most single-B and Ba-rated peers, with the services sector contributing half of GDP. The rating is further supported by its long track-record of political stability and high level of democratic governance. However, the outlook on Ghana's rating is negative and reflects Moody's expectations that the fiscal deficit for 2014 will come in well above the government target of 8.5% of GDP, and could reach double-digits for the third year running on account of optimistic revenue projections. Downward-pressure on the rating could arise from sustained high or rising fiscal deficits and government debt burden; a persistent decline in oil, gold or cocoa prices; or diminished access to foreign investment or portfolio capital, which would elevate debt rollover risk and aggravate debt-servicing costs . Source: myjoyonline

GSE Snapshot

Indices Extend Gains, Despite Slump in Activity

Trading during the week on the GSE closed with fifteen (15) price changes involving nine (9) gainers and six (6) losers, with Societe General Bank (SOGEGH) emerging the highest gainer with 23% value added in the week to GHS1.0. The Trust Bank Gambia Ltd (TBL) shed the most value of 13%. Market Capitalization shrunk by 5.6% to GH¢59.36 billion.

Lack of significant block trades in the week resulted in a 30% slump in market activity as the total volume traded declined to 3.6 million shares. Total value traded however reduced marginally by 6.9% to GH¢7.5 million.

The indices continued to extend their gains as the GSE Composite Index (GSE-CI) added 5.16 points to close at 2,430.43 points, and YTD gain of 13.30%. Similarly, the GSE-FSI added 7.39 points, closing at 2,179.99 points, and a YTD gain of 22.02%.

	7-Feb-14	14-Feb-14	% Chg
Market Cap (GH¢ 'm)	62,898	59,358	(5.63)
Value Traded (GH¢)	8,063,006	7,506,622	(6.90)
Volume Traded	5,180,173	3,597,617	(30.55)
GSE Composite Index	2,425.27	2,430.43	0.21
GSE Financial Index	2,172.60	2,179.99	0.34

Week's Gainers & Losers

Equity	Week Open GH¢	Week Close GH¢	Change %	YTD %
SOGEGH	0.82	1.01	23.17	▲ 35
ALW	0.05	0.06	20.00	▲ 20
EGL	2.05	2.25	9.76	▲ 20
MLC	0.35	0.38	8.57	-
HFC	0.94	1.01	7.45	▲ 5
UTB	0.46	0.48	4.35	▲ 7
FML	6.99	7.13	2.00	▲ 8
CAL	1.02	1.04	1.96	▲ 7
TOTAL	5.02	5.05	0.60	▼ (0.2)
TBL	0.30	0.26	(13.33)	▼ (26)
TLW	34.95	31.00	(11.30)	▼ (11)
GCB	5.00	4.65	(7.00)	▼ (4)
PZC	0.68	0.67	(1.47)	▼ (15)
GOIL	0.88	0.87	(1.14)	▼ (2)
GGBL	6.20	6.17	(0.48)	▼ (0.5)

Source: HFC Investments Research Database

Corporate News

Lonrho to Commence US$600 million Ghana Port

Lonrho Plc will start building a $600 million port in Ghana as a hub to service oil rigs in West Africa, where Exxon Mobil Corp. and Royal Dutch Shell Plc pump 60 percent of Africa's crude, in the second half of the year. According to the development manager, Steven Gray, the port will be built in 25 months and the government will take a 10 percent stake in the Atuabo Freeport. Ghanaian companies will own about 35 percent and Lonrho and other foreign companies will have a 55 percent stake, he noted. London-based Lonrho, which operates hotels and ports, hired Africa Finance Corp. to secure financing before the end of the first half of the year, he said. "It's strategically located to be able to support the growing oil and gas industry in the West Africa region to as far as Mauritania," he said. The port "will help cut the cost of repairs to rigs which takes up to 20 days to travel from West Africa to ports in South Africa." Exploration and production activity is rising in West Africa, where Gabon, Nigeria, Ghana and other countries produce more than 3 million barrels of oil daily. Companies have increased the number of rigs being used in the Gulf of Guinea and nearby waters 20 percent in the past year, according to Baker Hughes Inc., the Houston-based field services company said in its monthly report of rigs. Ghana plans to boost oil production fivefold to 500,000 barrels a day within 10 years and its neighbor Ivory Coast has said it will drill about 10 wells this year as part of a plan to boost output to 200,000 barrels daily through 2019. Tullow Oil Plc, which operates Ghana's offshore Jubilee field, is exploring for oil in Guinea and Mauritania.

Source: Bloomberg

Insurance Commission to Pursue Radical Supervision

The National Insurance Commission (NIC) is set to lead a radical change in insurance supervision in Ghana. The Commission has indicated that it will pursue a cause that is targetted on growing a sector where professionalism and ethical practice among players will be considered critical for consumer protection and confidence building. Insurance Commissioner Lydia Bawa announced this at the investiture ceremony for new executives of Ghana Insurance Brokers Association (GIBA). She stated that the challenge of premium receivables that has slowed down the insurance sector's contribution to the economy for many years will be a thing of the past. Accordingly, she said the insurance sector has unanimously agreed to enforce the policy of 'No Premium, No Cover', which will require insurance companies to collect premiums upfront before providing cover come April 1, 2014. When this becomes effective, no insurance company can afford not to pay genuine claims and remain in business. Source: Business & Financial Times

GT Bank Introduces Third Party Online Transfer Services

In line with its objective to continually improve customer service delivery, Guaranty Trust Bank (Ghana) Limited has introduced a function on its Internet banking platform to enable customers transfer money online to their account(s) or other beneficiaries' accounts in other banks in the country. The Third Party Transfer service is the first fully-automated online transfer service in Ghana, which allows GTBank customers who are profiled on the bank's Internet Banking platform to transfer money from their cedi account from the comfort of their homes, offices and on the move with mobile Internet devices to their cedi account(s) in other banks, or to other beneficiaries' accounts in another bank. Hitherto, what pertained in the industry only allowed customers of banks who were profiled on Internet banking platforms of their banks to transfer money between their accounts, or from their account to another account within the same bank. Now, the fully-automated GTBank third-party online transfer service enables across-bank transfers. For now, the service is limited to transfers from GTBank accounts to an account in other banks in Ghana and not vice versa, until others have upgraded their platforms to enable same. The Managing Director of the Bank, Mr. Lekan Sanusi, commenting on the introduction of third-party online transfer services stated that: At GTBank, we continually seek new and innovative ways of providing additional comfort for our customers. We are as delighted as our customers should be at the opportunity we are providing to customers to sit comfortably in their offices or homes and transfer funds from their GTBank account to any cedi bank account in the country. "Customers interested in this service simply have to request for it from any GTBank branch nationwide . Source: B&FT

Numbers Making Headlines

23%

The cost of borrowing over a three year period for government through the issuance of bonds has gone up substantially. The three year bond sold by the Bank of Ghana saw government pay 23 percent as interest. This is the highest interest paid to investors in recent times. The last time government went onto the bond market to borrow over a similar period, it paid about 19 percent. However, some analysts say recent developments in the economy and policy rate hike contributed to investors asking for higher interest for their funds. The development would have serious implications for long term borrowing for private businesses, since the yield on three year bond often serves as the benchmark for borrowing in the country. The offer which sought to raise GHS402 million however received GHS465 million worth of bids from investors.

13.8%

The country began this year on a rather negative inflationary note by recording the highest inflation since 2010 in January. The rate for the first month of the year was 13.8 percent - up from the 13.5 percent recorded in December last year. This implies the rate of increase in the prices of goods and services was higher in January compared with the previous month of December. According to the Ghana Statistical Service, this rate of inflation for January 2014 is the percentage change in the Consumer Price Index (CPI) over the twelve-month period, from January 2013 to January 2014. Head of Economics Statistics, Edward Esuo Afram noted that high cost of housing and transport accounted for the increase.

Exchange Rates

By the close of the week, the Ghanaian cedi lost ground to all the major international trading currencies. The year-to-date (YTD) performances indicates the cedi has depreciated against all the under-listed currencies, as indicated by the inter-bank mid-rates below:

Currency	17-Feb-14 (GH¢)	YTD (%)
US Dollar (USD)	2.4336	▼ 12.6
Pound Sterling (GBP)	4.0740	▼ 14.0
Euro (EUR)	3.3317	▼ 11.6
S/African Rand (ZAR)	0.2239	▼ 8.6
Naira (NGN)	0.0150	▼ 11.5

Interest Rates / Yields

The returns on the funds managed by HFC Investments generally trended upward in the week. The treasury securities also pursued an upward trajectory, wit the exception of the 1-yr note which remained flat by close of the week ended February 14, 2014, as indicated below:

Instrument	27-Dec-13 (p.a., %)	7-Feb-14 (p.a., %)	14-Feb-14 (p.a., %)
91-Day Bill	19.22	20.12	20.79
182– Day Bill	18.66	19.85	20.27
1 yr Note	17.00	17.00	17.00
2 yr Note (fixed)	16.80	16.30	17.50
3 yr Bond (fixed)			23.00

Investment Product	7-Feb-14 (GH¢)	14-Feb-14 (GH¢)	Change (GH¢)	YTD / Yield* (%)
HFC Equity Trust	0.4172	0.4250	0.0078	6.70
HFC Future Plan Trust	0.1286	1.2952	1.1667	4.76
HFC Unit Trust (Bid)	0.2242	0.2246	0.0004	21.12*
HFC REIT (Bid)	1.5802	1.5847	0.0045	16.72*

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