

Ghana

2021 Outlook...

Of second waves, second terms and second chances



2021 Outlook... of second waves, second terms and second chances



Summary of Our 2021 Outlook

In line with majority of the global community, we believe 2021 will be characterised by actions to “steady the ship”. From second pandemic waves and new strains, to administration changes in the United States of America, 2021 is set to be a precursor year to steadier recovery. Globally, we expect:

- Slower overall global recovery than expected as coping mechanisms are perfected, though recovery rates in China will be an anomaly;
- A hunt for yields as global investor confidence returns;
- An uptick in capital markets activity to ride the pandemic tide;
- Changing trade patterns and relationships, particularly given post-Brexit and post-Trump adjustments.

Locally, as all eyes are on the second term of President Nana Akufo Addo, expectations for the Ghanaian economy, households, and businesses will focus on:

- Increased support for households in terms of education, healthcare and utility considerations;
- Demand for goods and services to improve despite lingering inflationary pressures;
- A myriad of incentives for private sector participants, and especially MSMEs and enterprises in select sectors such as agriculture;
- Attendant wide deficit levels and deeper debt profiles as the government continues economic revitalisation spending;
- Real returns remaining positive for investors.

Contents

Summary of Our 2021 Outlook	1
Key Indicator Dashboard	2

Global

Overview of the World in 2020	4
Global Pointers for 2021	6
Capital Markets	8
2021 Expectations for the Global Economy..	12

Ghana

2020 Elections, Policy Stance, Recovery Plans	14
Government Finances – Revenues and Expenditures	18
Government Finances – Debt Levels	19
External Sector, Inflows and Outflows	20
Commodities	21
Gross Domestic Product (GDP).....	23
Segments expected to rebound or struggle in 2021	24
The Trio Rates –Interest Rates, Inflation, Exchange Rates.....	26
Sarpong Capital Markets Traders’ Perspective	28
Disclosures Appendix.....	30

Contributors:

Yomi Akinola,
+234-909-863-6660
omayomi-akinola@sarponcapital.com

Biggles Amponsah,
+233-244-113265
bamponsah@sarponcapital.com

Marian Nyamekye-Boamah,
+233-505-639885
mnyamekye-boamah@sarponcapital.com

Key Indicator Dashboard

CREDIT RATINGS (2020)



Changes to ratings will be influenced by several factors, most notably

Positive Rating Factors

- Ability to exit recession and post sustainable growth
- Encouraging political will, policy direction and implementation
- Demonstrated ability to control virus transmission and embark on aggressive vaccination

Negative Rating Factors

- Worsening debt profile or default in obligations
- Accessing debt service suspension or debt forgiveness programmes
- Marked deterioration in currency value

MACROECONOMIC INDICATORS

	2020	2021 Outlook	
Key Rates			
Inflation – CPI (FY Avg)	9.9%	8.7%	↓
Inflation – PPI (FY Avg)	9.1%	8.2%	↓
Currency Depreciation – Interbank (End Period)	4.1%	4.4%	↑
Monetary Policy Rate	14.5%	14.5%	-
Key Ratios			
Deficit to real GDP	27.2%	21.0%	↓
Deficit to nominal GDP	11.9%	10.0%	↓
Debt to real GDP	162%	164%	↑
Debt to nominal GDP	71%	78%	↑
Trade Balance to real GDP	1.2%	1.0%	↓
Overall Balance of Payments to real GDP	-1.0%	-0.1%	↑
Other			
GDP Growth (FY estimate)	-1.6%	3.4%	↑
Reserves (End Period)	\$8.62 billion	\$8.72 billion	↑
Import Cover	4.1	4.1	-

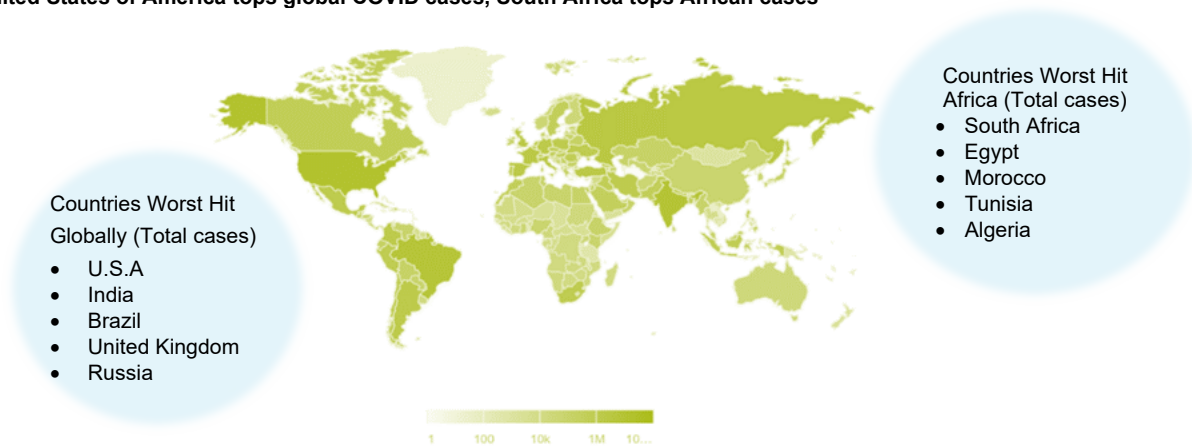
Science, Technology and Healthcare at the forefront of Global Economic Recovery

Overview of the World in 2020

With 2020 beginning as a promising year globally, the onset of the Coronavirus pandemic quickly altered the trajectory of the year for households, businesses and countries across the world. A resurgence in cases from December 2020 has brought global cases and deaths to over 113.1 million and 2.5 million respectively globally, as at the 24th of February 2021. In Africa, some 3.9 million cases have been confirmed in the same period resulting in over 102,000 reported deaths.

The ensuing issues included a screeching halt in overall economic activity, an erosion of trillions of dollars in business value, mass job losses and soaring inflationary pressures. Plummeting oil prices and widening budget deficits as governments scrambled between bolstering healthcare and bailouts for households and businesses further added to the woes of some governments amidst unprecedented funding constraints. Whilst some countries fared better than others, others were further burdened with complications. (For instance, Brexit negotiations impacting the UK and tense elections in the United States of America as well as other countries brought twists to the survival story).

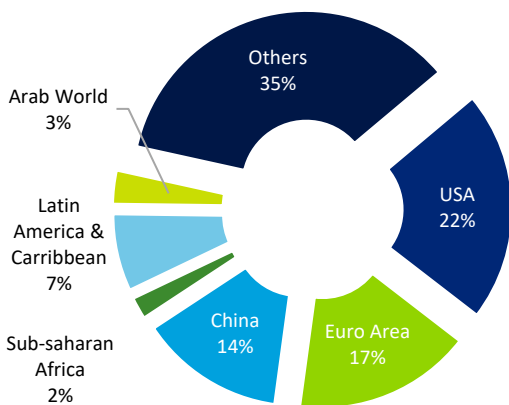
Figure 1: United States of America tops global COVID cases, South Africa tops African cases



Source: European Centre for Disease Prevention and Control

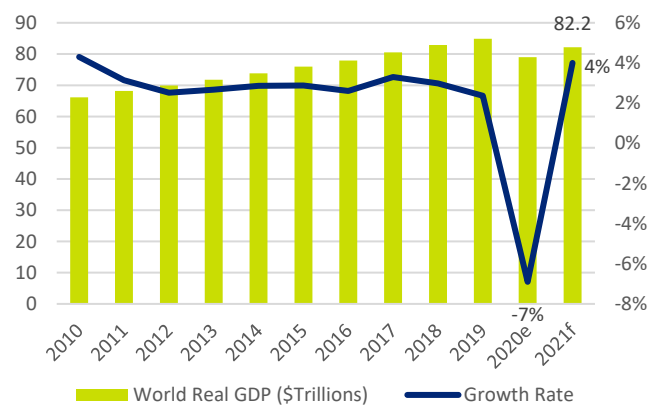
With approximately 7% contraction in global GDP¹ in 2020, key economies recorded stunted growths or outright contractions. China's 2.3% real GDP growth was beside its usual 6% - 7% records of recent years. Countries such as the United States of America, the United Kingdom and India have given indications of dismal provisional real GDP growth figures of -3.5%, -9.9% and -7.7% respectively.

Figure 2: Pre-Covid Global GDP Distribution



Source: The World Bank

Figure 3: World GDP took a hit in 2020



Sources: The World Bank and Sarpong Capital Research

¹ The World Bank

With the elevation of macroeconomic risks, financial markets and the banking sector have yet again been tested with rising liquidity risks, credit risks and speculation fuelled volatility. In a bid to first maintain financial stability, several measures were adopted by key economies and policy institutions. The secondary focus of these institutions, has been on ensuring access to credit for households and businesses by keeping borrowing rates as low as possible and increasing the liquidity available to financial institutions for lending. A range of quantitative easing programmes and emergency lending facilities were thus deployed in response to the threat of financial instability. Some measures from key markets include:

The US Federal Reserve:

- Interest rate cut to 0% in March 2020
- \$700 billion quantitative easing programme
- Liquidity swap arrangements extended to some other Central Banks
- Cares Act lending facilities announced including Paycheck Protection, Municipal Liquidity Facilities and Business Lending Programmes (Main Street)
- Supplementary Leverage Ratio (SLR) for banks relaxed and extended in coverage
- Primary Market Corporate Credit Facility commenced
- Main Street lending programme expanded to more SMEs and termination dates extended

The Bank of England:

- Bank rate cut to 0.25% and then 0.1%
- Term funding scheme introduced with incentives for SMEs
- UK Countercyclical Capital Buffer cut to 0% of banks' exposures to UK borrowers, releasing funding for bank lending

The European Central Bank:

- EUR 1,850 billion for a Pandemic Emergency Purchase Programme (PEPP) to lower borrowing costs and increase lending
- Banking supervision providing temporary capital and operational relief to banks in addition to asking not to pay dividends
- Extension of collateral easing measures till June 2022
- Reinvesting in full. Principal payments from maturing securities
- Euro system repo facility for Central Banks and all temporary swap and repo lines with non-euro central banks which has been extended till March 2022

The People's Bank of China:

- Over RMB 5.5 trillion liquidity injection to the banking industry between January and July 2020
- Lowering of 1-year loan prime rate by 10bps and 5-year loan rates by 5bps
- Required reserve ratios cuts of between 50-100bps subject to banks' performance
- Various initiatives to support SMEs and self-employed businesses

Other direct interventions have also been initiated by global creditors, particularly for low-income countries. Most impactful from a credit risk perspective is the Debt Service Suspension Initiative (DSSI) from the International Monetary Fund/ World Bank.

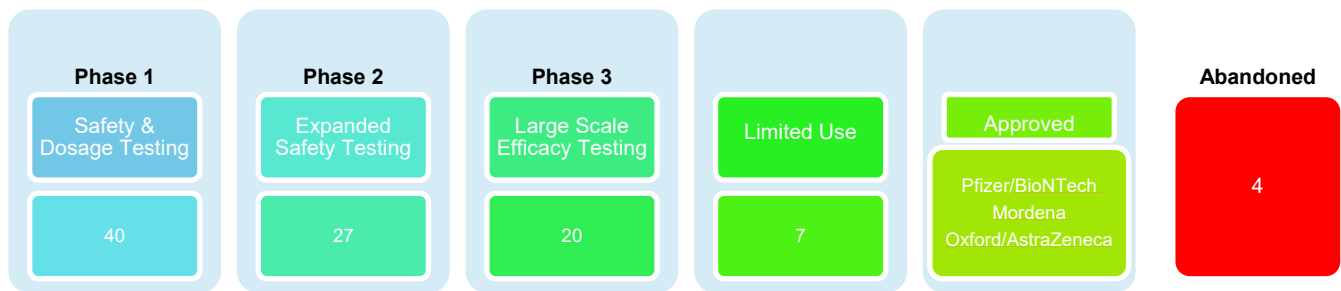
The DSSI was established in April 2020 to support low-income countries with debt management, by reducing the immediate levels of interest burdens. Subsequently, given the protracted Coronavirus fight impacting repayment ability, the G20 and Paris Club agreed on a common framework for more detailed debt restructuring at an extraordinary meeting in November 2020.

Some modalities of the initial DSSI framework include a need for debt treatment and restructuring envelope assessed on an IMF/World Bank Debt Sustainability Analysis (DSA), as well as request for DSSI from all official bilateral creditors and not only a subset. The common framework further requires countries to seek debt service relief from private creditors, arguably heightening perceived country risk. Thus, we believe countries considering accessing the DSSI/Common Framework must understand the long-term impact of short-term relief on ratings and sovereign risk premia.

Global Pointers for 2021

Following the discovery of new coronavirus strains in the United Kingdom, South Africa and Brazil in December 2020, and resurges in new cases of these more transmittable strains, our 2021 outlook is hinged on the availability and timely distribution of vaccines globally. Vaccines, equitably distributed globally and with high efficacy, appear to be the only solution. While the first full approvals of vaccines were received in Q4 2020, it is likely to take 3-4 years² to produce sufficient volumes for equitable distribution globally, given finite manufacturing capacity. Indeed, indications are that wealthier nations are snapping up vaccine volumes not yet produced, leaving low-income countries (except for India who have ordered at least 1.6 billion doses) scrambling to secure doses. Globally, 7.7 billion doses have been confirmed with another 5 billion still being negotiated. While this total exceeds the global population numbers, equitable distribution, in addition to precise storage requirements and a two-dose requirement in some cases, pose serious challenges for low-income countries.

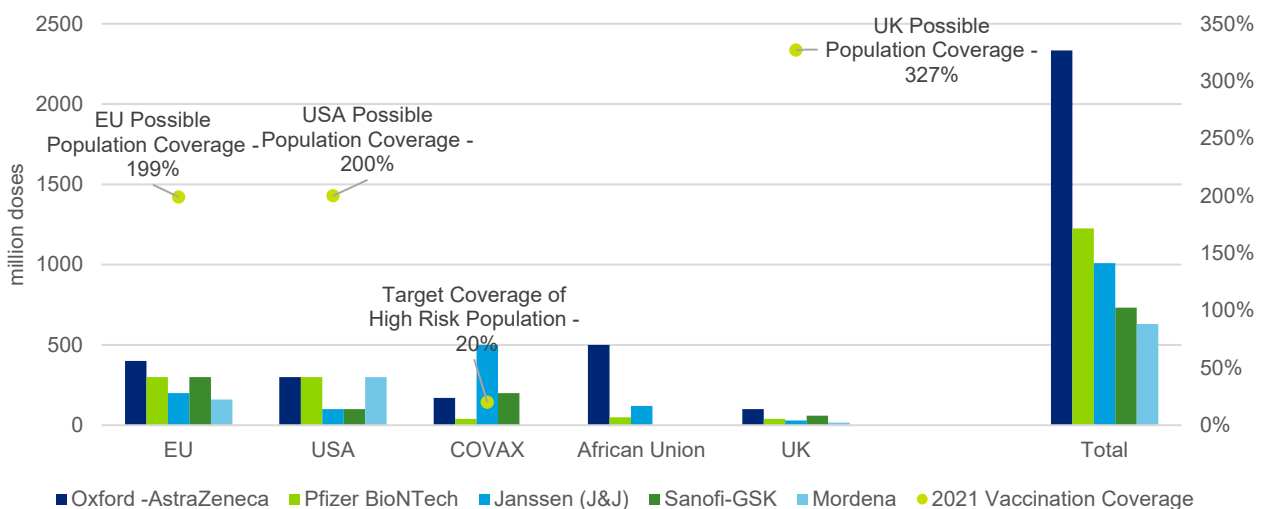
Figure 4: Vaccines in various approval stages as at 24 February 2021



Source: New York Times (Vaccine Tracker)

BioNTech, one of the first approved vaccine providers has pledged supply of 2 billion doses in 2021, largely pre-ordered by nations such as the European Union, the United States of American and Japan. Similarly, Oxford’s AstraZeneca vaccines have also been largely pre-ordered even in higher volumes by the EU, and the USA. It, however, appears African nations will look towards China and India for vaccines, a race that has seen alliances and multilateral partnerships such as the African Union and World Health Organisation’s COVAX initiative step in with provisional orders and commitments exceeding 2.5 billion doses, from various providers. Ghana became the first African country to benefit from the COVAX initiative with 600,000 doses received on 24 February 2021. In the race to secure vaccines, countries that are able to acquire and distribute quickly are most likely to record faster stabilization and economic recovery. Other challenges include storage capacities, rural area vaccinations, sufficient numbers of trained providers and overcoming mistrusts of the vaccines.

Figure 5: Advance market commitments for vaccines skewed to wealthier economies coverage-wise



Sources: Duke Global Health Institute’s Launch and Scale Initiative, Sarpong Capital Research

² Duke Global Health Institute’s Launch and Scale Analysis



Two months into 2021, tepid recovery of trade and manufacturing activities have been noted. Worst hit client-facing service-oriented businesses are slowly readjusting to the protracted new normal. Measured recovery or growth is however not expected until well into the year. This is as nations scramble to first contain a second wave with reinstated lock-downs whilst vaccinating their most vulnerable population and frontline workers. Does this spell yet another year of an economic lull as mass vaccination plans are attempted? The effectiveness of delicately balanced policy controls alongside mass-impact healthcare solutions would be the pointers for 2021 and indeed over the next 5 years. The effects on yields, capital markets flows & patterns, debt structures, inflationary pressures, currency pressures, unemployment and real sector performance will be keenly watched.

Our key indicators steering 2021 global economic performance predictions and with significant implications on growth, of emerging markets include:

Figure 6: 5 Pointers for global economic performance asides vaccination



Source: Sarpong Capital Research

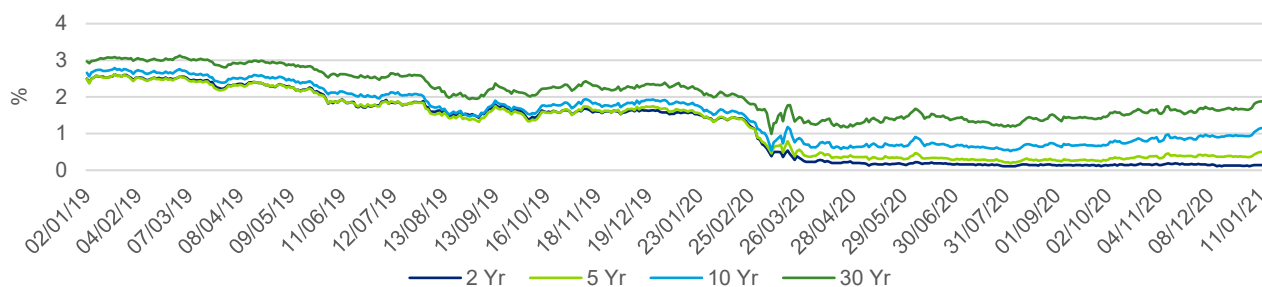


Capital Markets

Debt

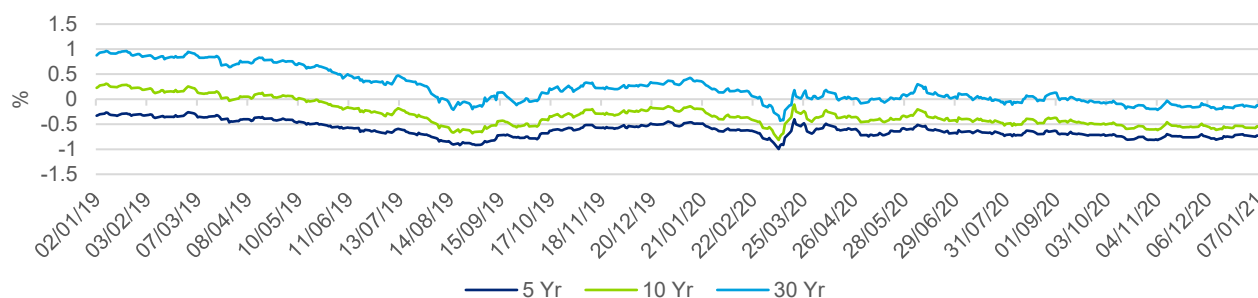
As realities of the pandemic hit in 2020, activity in the debt markets increased globally. This was fuelled by both corporates and nations as they borrowed their way through funding shortages, taking advantage of interest rate cuts from March 2020. The Institute of International Finance (IIF) estimates global debt at over \$277 trillion as at the end of 2020, a \$15 trillion surge over the prior year. We believe this figure will grow by approximately 5.1% to \$291 trillion in 2021 in view of further capital raising activity anticipated.

Figure 7: US Treasury Bond Yields (Jan 2019 - Jan 2021)



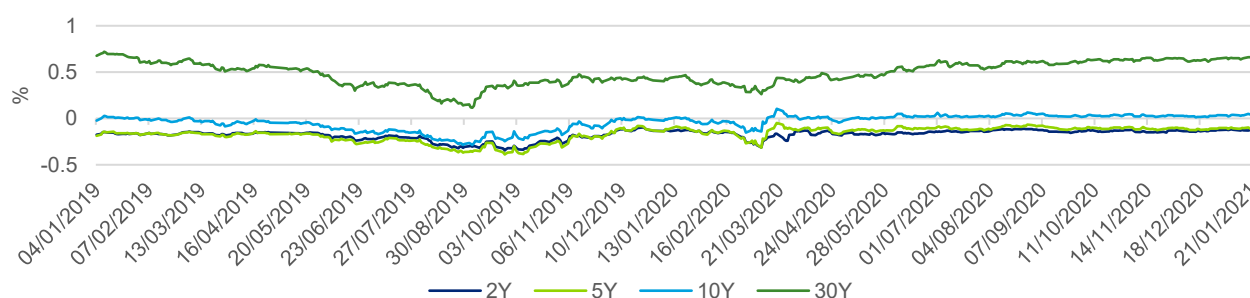
Source: US Federal Reserve

Figure 8: European Bond Yields (Jan 2019 - Jan 2021)



Source: European Central Bank

Figure 9: Japanese Bond Yields (Jan 2019 - Jan 2021)



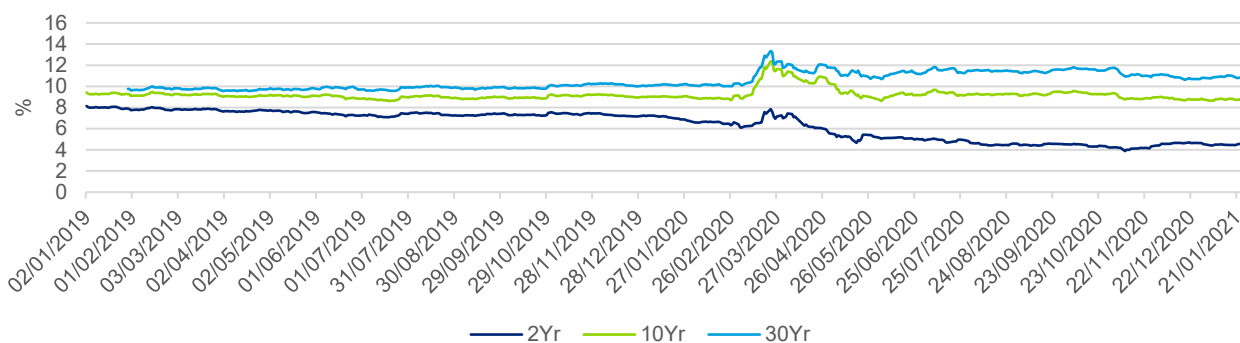
Source: Bank of Japan

Indeed, all eyes continue to be on both global and local debt markets as governments seek financing to cover the cost of stimulus and other fiscal relief packages as well as restructure existing obligations to a myriad of financing providers.

More positively, select markets in Sub-Saharan Africa have proved more attractive given positive real returns, at a time where some developed economies are posting negative real returns following rate cuts. This has encouraged global investor interest with medium-term prospects of higher real rates of return in emerging markets, stoked creditor competition and positively narrowed sovereign risk spreads. Issuances such as Cote d'Ivoire's EUR 1 billion bond in November 2020 at oversubscription levels of some 5 times, despite lingering political risks, attest to this. More recently, Benin Republic's successful two-tranche EUR 1 billion Eurobond issuance in January 2021, jointly aimed at partially redeeming an earlier issuance and plugging deficits, is the trend expected, as more African nations tap the international debt market.

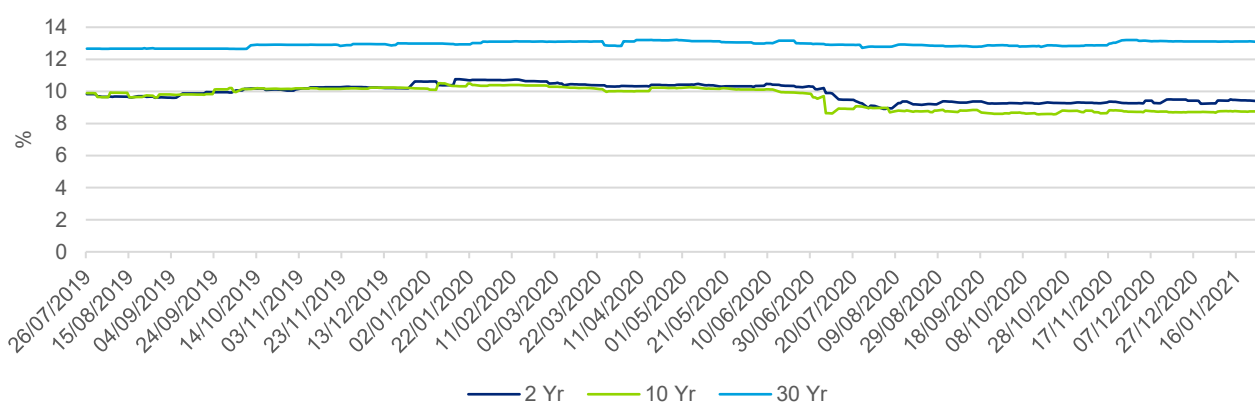


Figure 10: South African Bond Yields (Jan 2019 - Jan 2021)



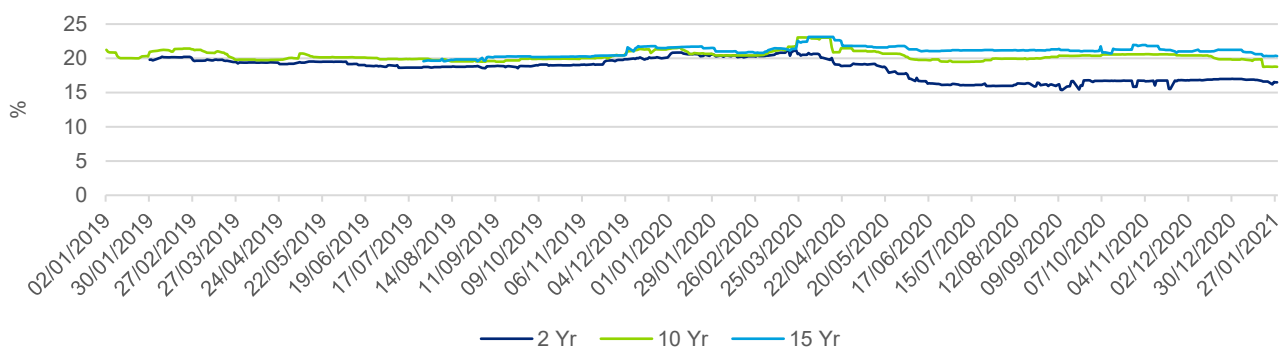
Source: Bloomberg

Figure 11: Kenyan Bond Yields (Jul 2019 - Jan 2021)



Source: Bloomberg

Figure 12: Ghanaian Bond Yields (Jan 2019 - Jan 2021)



Source: Bloomberg

We note that a quest for yields will continue to be the watchword for bond participation in 2021, delicately balanced alongside diversification of portfolios amidst elevated global default risks. With the US Fed rate as a benchmark for most economies and rising inflation around the world, a keen watch is on any indication of tightening and the reverberating effects globally. Any marked uptick in rates in the medium – the long term may pose problems for countries and entities with already elevated debt service profiles, amounting to “kicking the can down the road”. A well-balanced combination of innovative restructurings in sovereign debt financing, optimisation of state-owned enterprises and financing strategies that promote a tailored basket of instruments, will be imperative. A range of restructuring requests, debt service suspension applications alongside an influx of Eurobonds, sustainable bonds, etc will thus be seen in the debt market in the near term.



Equities

As the pandemic gained momentum in Q1 2020, investors focused on selling equities rather than adding onto their portfolios, particularly in February/March, forcing a drop in values. As a result, benchmark indices fell far below their 2019 closing value by the end of Q1 2020. However, the announcement of fiscal stimuli across major economies ensured buying was encouraged again. These policies and packages proffered solutions for dire financing needs, plugging liquidity constraints and strengthening the overall balance sheets of corporates. Similarly, the possibility of vaccines stoked investor confidence to participate in the markets again. Defying general trends seen, the equities market thus recorded better than anticipated rallying, in addition to deal flows for the rest of the year.

On the last day of the year 2020, the Dow and the S&P 500 ended at all-time highs. We note that Q4 2020 was robust for stocks, with each of the major indexes recording double-digit gains, headed by the small caps of the Russell 2000.

Figure 13: Dow Jones Industrial Average



Figure 14: S&P 500 Index

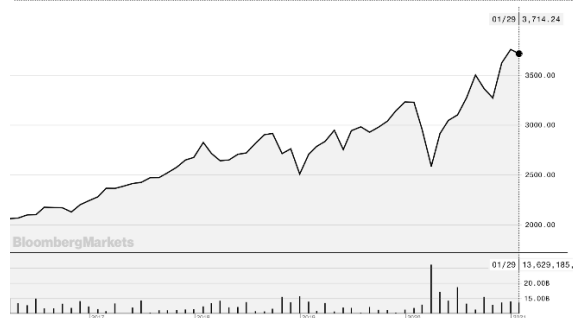


Figure 15: NASDAQ Composite Index



Despite the early year losses, all the benchmark indexes closed 2020 well ahead of their 2019 closing marks. The tech stocks of the NASDAQ, which gained more than 43.0%, led the way, followed by the Russell 2000, the S&P 500, the Dow, and the Global Dow. This trend was replicated in Asian markets, albeit European counterparts noted slower and more delayed rebounds as indices responded to Brexit deal uncertainties. Rebounds have largely continued through January 2021.

Figure 16: Nikkei 225



Figure 17: FTSE 100 Index



Source: Bloomberg Markets

Long term positive notes across a variety of sectors are encouraging, despite headwinds from the pandemic and intermittent volatilities in prices. Over \$550 billion was raised in 2020 across US and European equity capital markets, in issuances and convertibles. The technology and e-commerce sectors particularly noted strong performance as businesses and households leaned on virtual solutions to lockdowns. Healthcare and pharmaceutical providers also demonstrated unprecedented relevance given the burden on existing capacities, consequent need to expand and the development of vaccines.



As 2021 gets fully underway, it is anticipated that mergers and acquisitions will be seen as companies are increasingly embracing partnerships for survival and growth. Furthermore, lower interest rates seen will encourage taking on debt for acquisitions where company fundamentals are strong. This is alongside easing trade and international business interactions. Selective sectors however are being focussed on, in addition to increasing interest in companies and businesses with Environmental, Social and Governance (ESG) operating themes.

Our outlook is that cautious optimism will continue to be seen in the equity market, with 2021 starting off with better than anticipated rebounds on the back of future earnings expectations. Though some recovery is expected globally, volatility pitfalls are similarly predicted. Keen attention is also being paid to any substantiated indication of tapering of quantitative easing in the United States, which would most poignantly impact the circulation of free cash. Thus, selective participation in equities is expected, given elevated risk profiles and lingering financial fragilities of business balance sheets. Healthcare/Pharmaceuticals and Technology entities, proven to be the bright spots of the pandemic, will advance largely unhindered, with pricing of equities largely contingent on qualitative notions as market share. This is in addition to the food manufacturing and fast-moving consumer goods playing field. With prevalent low interest rates impacting bond yields, the medium-term outlook swings in favour of equities, offering potentially better value.

2021 Expectations for the Global Economy

The Global macroeconomy is expected to take at least five years to recover from the unprecedented downturn of 2020, with pockets of uneven recovery. Overall contraction is expected to give way to some 3.4% - 4% growth in 2021, barring no major disruptions in the distribution and efficacy of vaccines or surge of untreatable strains.

Themes for 2021 and indeed 2022 are largely contingent on the levels of achievable efficiency in the roll-out of coronavirus vaccines beyond the issues of production capacity, storage and mistrust across both high and low-income countries. Our expectations for 2021 are as follows:

Table 1: Likely scenarios for various economic themes

Theme	Likely Scenario
1. Coronavirus Pandemic & Vaccine Roll-out	Lingering surges in cases Burdened healthcare system globally Vaccination targets in high income and developed countries achievable while lower income and emerging markets struggle with acquiring doses and mass vaccinations
2. Oil Prices	Average \$58 per barrel Marginally higher pump prices
3. State of Manufacturing, Global & Regional Trade	Demand for essential goods and services to remain encouraging across the world - food & beverage, healthcare, power, education and technology, spurring a rebound in manufacturing as well as increased trade
4. Global Public Debt & Distribution	Governments to continue to spend their way out of the pandemic-induced lull with lots of activity in the local and international debt markets. More debt restructuring request to be received by creditors, particularly for emerging markets
5. Investment flows	Yield seeking investment strategies are to be strongly pursued by investors, alongside high creditor competition. A redirection of financing from Europe to Africa will be seen Increased M & A activity will be seen as corporates struggle to recover
6. US Monetary Policy	Quantitative easing programs to extend well into Q2 2021. Changes to the rate environment will be reluctant and largely contingent on progress with vaccinations and ability to get Americans back to work.
7. US/China relations	Renegotiations of trade agreements may be on the table, though preserving American jobs will be a priority of the Biden administration
8. Brexit	Increased FDIs to emerging markets particularly SSA will be seen leveraging existing relationships
9. The White House Agenda	Focus on Climate, Healthcare, Immigration, Job preservation and Financial security
10. Africa Continental Free Trade Agreement (AfCTA)	Intra-Africa trade growth expected to improve by 50% however strong levels not expected till 2022 GDP of participating countries will be bolstered in select strength segments Growth in export geared investments to be seen Increase in non-oil export emphasis, particularly leveraging on new relationships with regional trade partners These are however contingent on national strategy fluidity to accommodate AfCTA initiatives in terms of tax provisions, customs processes, etcetera.
11. Overall growth	Overall global recovery is expected in the short term as coping mechanisms are perfected, nonetheless tepid in some areas and with pockets of lingering recession in others Wholly public sector funded infrastructure development will hurt due to reduced capacity, while private sector led initiatives will thrive Inflationary pressures to remain elevated globally Rate environment to remain low encouraging access to credit/credit growth

Source: Sarpong Capital Research

Ghana: Politics and Optics

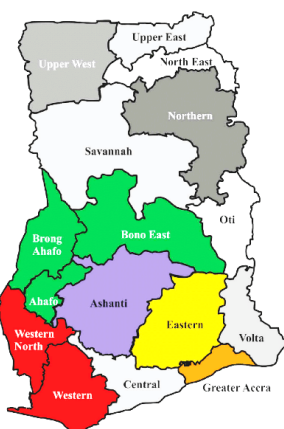
2020 Elections, Policy Stance, Recovery Plans

Ghana's fourth republic has been characterised by face offs between National Democratic Congress (NDC) and the New Patriotic Party (NPP), out of 27 political parties. Approximately 43% of Ghana's 31 million population went to the polls on 7 December 2020 to cast ballots in a hotly contested election between the incumbent NPP and the opposition NDC. Despite pandemic necessitated protocols across Ghana's 16 political regions, the election process was largely coordinated.

Notwithstanding pockets of violence, tough defeats and disputed results in select areas, President Nana Akufo Addo of the NPP was re-elected and sworn in on 7 January 2021 for a second 4-year term alongside 275 Parliamentary Ministers (MPs). The always enthralling skirt and blouse analogy where a citizen may choose one party's candidate for the Presidential elections and another for the Parliamentary ballots also played out in places, between NPP and NDC inclined voters. With a near even split of MPs, this has set the stage for some interesting parliamentary sessions over the coming 4-year tenure, starting with the infamous brawl among MP-elects during Speaker of the House elections on 6 January 2021.

Table 2: 2021 Distribution of Leadership by region & party

	NPP	NDC	Independent
MPs	137	137	1
Regions	NPP Constituencies	NDC Constituencies	Independent Constituencies
Upper East	1	14	
North East	4	2	
Western	9	8	
Upper West	3	8	
Eastern	25	8	
Ahafo	4	2	
Bono	6	6	
Western North	3	6	
Bono East	3	8	
Greater Accra	14	20	
Savannah	3	4	
Ashanti	42	4	1
Central	10	13	
Volta	1	17	
Northern	9	9	
Oti	-	8	



Source: Parliament of Ghana and Ghana Electoral Commission

Clear NPP strongholds such as the Eastern region known for mining, cocoa and as the home of the Akosombo dam on the Volta River and the Ashanti region's cultural and gold mining profile remain strategically important to the nation for revenue generation and high-capacity electrification. NDC strongholds such as the Upper East instrumental to trans-Saharan trade routes, Volta region for its agriculture base, and relatively new Oti region expected to be a strong beneficiary of the administrations One District, One Factory(1D1F) initiative, are also strategically important.

Furthermore, Ghana on 11 February 2021 commenced vetting of Minister-Designates. The President's list to Parliament comprises 30 substantive ministers and 16 regional ministers, with 15 ministers retaining their portfolios and some six others being shifted to new ministries. Key portfolios with proposed return of Ministers such as Finance, Health, National Security, Food & Agriculture and Trade & Industry temper continuity risks somewhat, from a policy and implementation standpoint. Eyes are however on Ministerial confirmation of the strategically important Energy Ministry.

The policy stance of the President Akufo Addo-led administration has remained focused on education, infrastructure (hospitals, water supply, electrification, technology and roads) and ensuring a business-friendly economy, each with implications on government expenditure and debt levels. Not too dissimilar is that of the opposition, a plus for policy formulation, though varying in views on financing avenues. Similarly, scorecards of MPs and the overall administration in the current climate is geared towards expenditure on constituencies, optics in fulfilment of campaign/manifesto promises, with arguably diminutive emphasis on revenue generation beyond tax administration initiatives.

In November 2020, the Ghana COVID-19 Alleviation and Revitalisation of Enterprises Support (Cares) “*Obaatanpa*” initiative was launched. This blueprint for navigating economic stabilisation and recovery from the pandemic was set to cover a three-and-a-half-year period, in two phases. Given current realities of deficit and debt levels, alongside battling a pandemic, we note that a good number of projects may have to be deferred to the later years of the administration’s second term. For instance, Phase 1 expected to cover July – December 2020 taking off from the Coronavirus Alleviation Programme (CAP) with a focus on stabilizing the economy, continues to be disrupted owing to the pandemic’s second wave.

Key pillars of the earmarked projects in Phase 1 are highlighted in Table 3 below. In consideration of potential global and local challenges to vaccination strategies and financing, we pen out views on timeline expectations for implementation and realisation. It must be considered that further significant health shocks will alter the progress course.

Table 3: Ghana CARES Programme Phase 1 (Initially tabled for July 2020 – December 2020)

	Key focus projects	Positives	Sarpong Capital notes
Temporary Reduction in the Cost of Basic Services	<ul style="list-style-type: none"> Free water supply Free electricity supply for those on lifeline tariff Reduction in Communications Service Tax (CST) 	Reduce the basic cost of living, given constrained income	To continue well into first half of 2021 Government expenditure burdens to grow CST to result in GHS 90 million reduction in tax revenue
Ensure Food Security	<ul style="list-style-type: none"> Increase access to fertilizer and seeds and access to agricultural extension workers Supporting the production of poultry, rice Financial support for the National Food Buffer Stock Company and Ghana Commodity Exchange to increase food stock levels Establish a National Food Security Committee to monitor prices 	Ensure access to food with triggers to spur periodic releases from food stocks	Projects to continue well into first half of 2021 Government expenditure burdens to grow though mitigated by partnerships with the African Development Bank (AfDB)
Support Businesses and Workers	<ul style="list-style-type: none"> Settling outstanding MDA payments to businesses Expand local content procurement Incentives for MSMEs and the creative industry Lending to banks and establishment of a Guarantee Fund of GHS 2 billion for large businesses to borrow from banks with longer tenors Seed-fund for retraining laid-off workers Establish National Unemployment scheme or workers and temporary income support 	Ease burden of economic lull on MSMEs and other corporates Provide significant support to unemployed	Various MDAs will have to take ownership and be accountable for these initiatives navigating legislative bottlenecks
Strengthen the health system	<ul style="list-style-type: none"> Provide at least 1 hospital per district and 101 new 100-bed district hospitals, 7 regional hospitals and 3 infectious diseases centres 	Better distribute burden on healthcare system and significantly expand coverage and access	Not achieved in tabled period with the exception of the infectious disease centres. Provision of district hospitals to be priority projects for 2021.
Pass urgent legislation	<ul style="list-style-type: none"> Development Finance Institutions (DFI) Bill Ghana Investment Promotion Centre (GIPC) Bill framework for increase in FDI Public Private Partnerships (PPP) Bill framework for increased PPP investments Tax Exemptions Bill reduce losses in customs and external VAT collections Enterprise Ghana Bill consolidate government programmes and provide support to SMEs Home Ownership Financing framework supporting growth of domestic mortgage finance market Municipal Finance Bill 	Preparing the economy to be a business hub	DFI Bill awaiting President’s assent as Bank of Ghana works to develop prudential guidelines Other initiatives are ongoing into 2021

Sources: Ministry of Finance, Ghana CARES Programme, Sarpong Capital Research

Phase 2 of the Ghana CARES programme initially expected to cover 2021 – 2023 with a focus on revitalisation and transformation of the economy, now looks to be pushed to largely take off in late 2021 and possibly 2022. The themes are as follows:

- Support Commercial Farming and Attract Educated youth into Agriculture
- Building Ghana's Light Manufacturing Sector
- Develop Engineering/machine tools and ICT/digital Economy Industries
- Fast Track Digitalization
- Develop Ghana's Housing and Construction Industry
- Establish Ghana as a Regional Hub
- Review and optimize Implementation of Government Flagship and Key Programmes

Ghana: Sustainable Growth... always a day away



Government Finances – Revenues and Expenditures

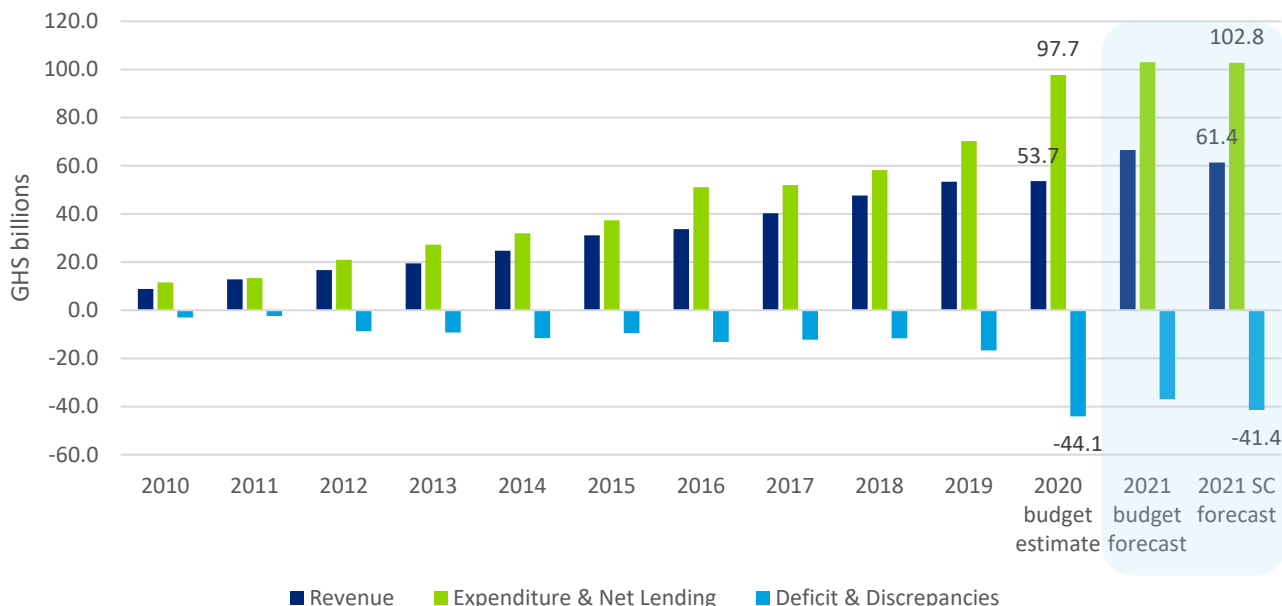
Ghana’s expected revenues for 2020, have been hit by the pandemic, similar to a majority of countries globally. In the Ministry of Finance’s mid-year budget review, total revenues were revised downwards by 20% jointly on account of a decline in expected tax revenues and other revenues from COVID-19 pandemic lockdowns and ensuing economic downturn. Concurrently, expected expenditures for the year was estimated to jump by approximately 14% in view of attendant expenses for healthcare, subsidies and bailout packages. We estimate that 2020 revenues still underperformed by an additional 5.5%, despite budget revisions. In the same vein, the budget deficit to GDP ratio exceeded the government’s target of 8.9% by approximately 300bps.

Looking ahead to 2021, the Government has proposed a GHS 103 billion (USD 17.05 billion) budget, with the expectation of a gradual rebound in revenues totalling GHS 66.5 billion with leverage on further domestic and international borrowings. However, Ghana has over the years carried an already elevated pre-pandemic expenditure levels largely on account of its wage bill and debt service obligations.

The expenditure profile for 2021 indicates that for every GHS 100 generated, GHS 45 will be spent on wages and their attendant social contributions, while another GHS 41 will be spent on interest payments not to include bailouts/socio economic support for various strategically important economic segments. Given the global turn of events in December 2020 and January 2021 of second waves and a race for vaccines, effectively elongating the process of economic stabilisation and recovery, achievability of these projections is doubtful. Thus, we anticipate a deficit to GDP ratio around 10% for 2021.

While we believe 2021 revenue projections will fall short of targets given the second wave and an uncertain start to the year, some revenue generating improvement is expected towards the end of Q2 2021. Meeting forecasts would also be contingent on debt restructuring, access to new debt and broad fiscal discipline.

Figure 18: High deficit levels to persist in 2021



Sources: Ministry of Finance, Sarpong Capital Research

Key revenue considerations include

- Lower than anticipated corporate tax revenues from a second wave instigated slowdown in recovery
- Tepid recovery of trade and import revenue generation activity in H1 2021

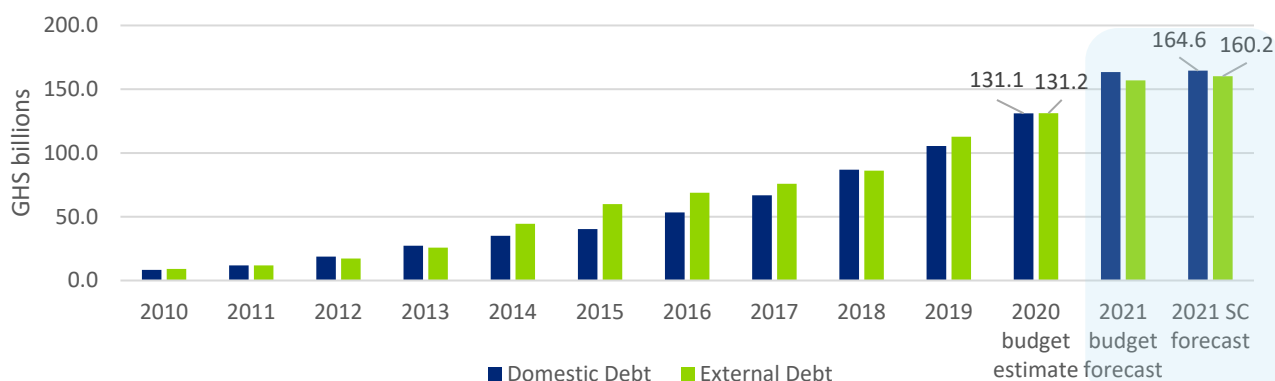
Key expenditure considerations include

- Growth in domestic and external interest payments
- Covid-19 expenses including acquisition and distribution of vaccines

Government Finances – Debt Levels

Against the backdrop of soaring expenditure versus revenue, Ghana is estimated to have closed the year with a GHS 46 billion deficit in 2020, more than double the deficit recorded in 2019. As the current administration attempts to stabilise the economy with a combination of policy and bailouts, government revenues are expected to still fall significantly short of expenditures budgeted for 2021.

Figure 19: Domestic and International Borrowings to grow in the near term



Sources: Ministry of Finance, Sarpong Capital Research

The Country's debt profile both in local and foreign currency is set to deteriorate somewhat before improving, leading to more domestic and foreign borrowings in the interim. It is our expectation that debt levels will jump by some 24% in 2021 (2020: 20% growth), distributed between local and foreign currency borrowings. Indeed, the issuance calendar released by the Ministry of Finance in January 2021 indicates this, as well as a continued appetite for shorter-dated obligations. Three-month and six-month issuances account for 54.2% of overall Q1 2021 local currency borrowing requirements, continuing to highlight the Government's financing sensitivity to short-term interest rates. We expect that 2021 deficit levels as a percentage of GDP will rally at about 10% by the end of the year remaining above the government's target of 8.9%, with total debt at 78% of nominal GDP by the same period.

Table 4: Calendar of Issuances in favour on shorter dated securities

Period	91 day	182 day	364 day	2 -3 year	5-7 year	7 year +
January – March 2020	GHS 7.9 billion	GHS 2.2 billion	GHS 2.6 billion	GHS 4.3 billion	GHS 1.9 billion	GHS 0.3 billion
April – June 2020	GHS 7.9 billion	GHS 1.5 billion	GHS 2.3 billion	GHS 2.5 billion	GHS 1.8 billion	-
July – September 2020	GHS 9.3 billion	GHS 1.8 billion	GHS 1.5 billion	GHS 2.1 billion	GHS 2.8 billion	GHS 1.1 billion
October – December 2020	GHS 9.7 billion	GHS 1.8 billion	GHS 1.9 billion	GHS 6.6 billion	GHS 2.0 billion	GHS 0.3 billion
January – March 2021	GHS 10.4 billion	GHS 1.7 billion	GHS 1.4 billion	GHS 5.8 billion	GHS 2.9 billion	GHS 0.1 billion

Sources: Bank of Ghana, Sarpong Capital Research

Note: Figures are rounded up to one decimal point where applicable

Naturally, increased short tenored domestic borrowing particularly for recurrent expenditure and debt servicing, will result in continued crowding out of the real sector as investors seek safety in attractive government securities. Thus, Ghana must embrace longer tenored obligations as it mulls debt restructuring and increases borrowing, in order to preserve financial stability. To remain strategically important as an investment destination in Sub-Saharan Africa, Ghana must restructure its existing debt as an imperative and keep debt levels sustainable. This is in addition to ensuring new capital raising programmes are innovative and well-tailored to expenditure - for instance, consideration of green bonds for water resources projects or diaspora bonds for infrastructure development projects such as roads and electrification. These will further open the Country to more competitive investor participation.

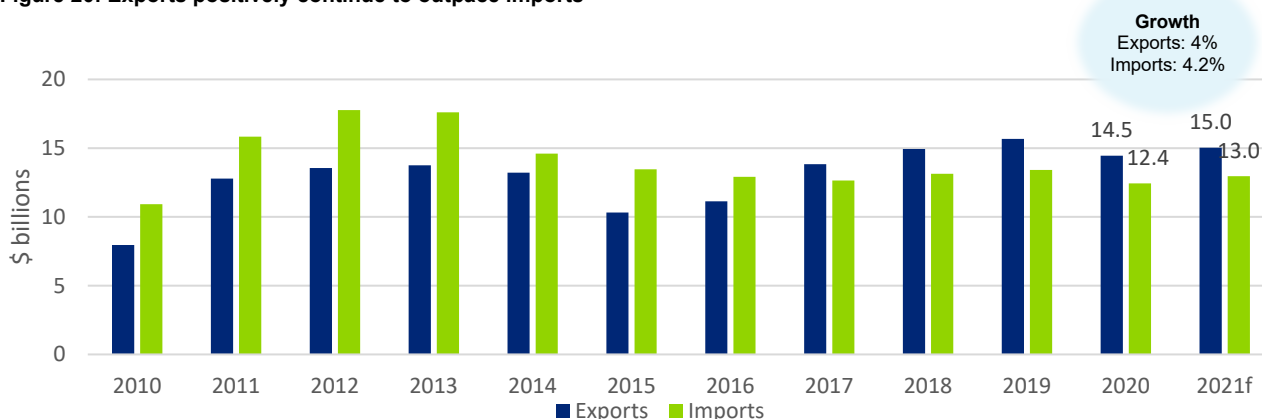
Key debt level considerations

- Persistent elevation in deficit levels particularly exacerbated by Covid-19 related expenditures
- Conversations around debt restructuring and debt service suspension
- Planned capital raising exercises

External Sector, Inflows and Outflows

Ghana’s external sector has over the last decade been sustained by trade in gold, oil and cocoa. Total exports amounted to an estimated GHS 14.5 billion in 2020, down 8% from the prior year. Despite a drop in realised value from oil exports, the pandemic encouraged higher gold prices on the international market. In the same vein, with stalled economic activity, the level of imports for a range of industrial and consumer use declined. Our expectations are that exports will pick up in 2021 particularly buoyed by global demand for oil as well as higher oil prices. Further increase in demand for cocoa as global manufacturing recommences, is expected to bolster exports.

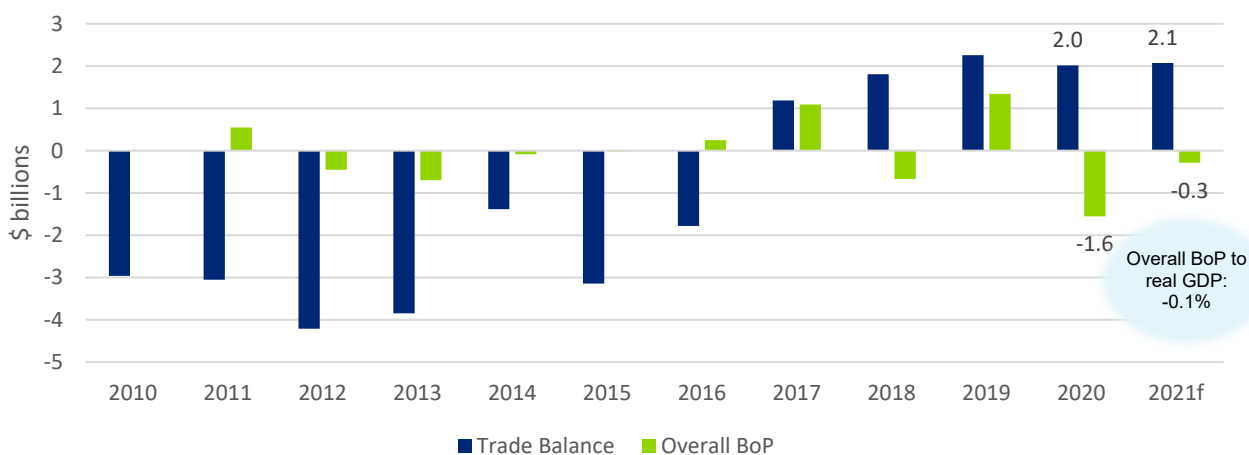
Figure 20: Exports positively continue to outpace imports



Sources: Bank of Ghana, Ministry of Finance, Sarpong Capital Research

Having recovered from long running trade deficits in 2017, we do not anticipate the trade balance to have dipped beyond \$2 billion at the end of 2020, and forecast \$2.1 billion for 2021. Nonetheless, negative overall balance of payment is expected to persist going into 2021, a combined effect of high level of payments (including interest payments) against inflows. Ghana is nonetheless expected to maintain reserves of \$8.7 billion representing 4.1 months of import cover by the end of 2021.

Figure 21: Balance of Payments deficit to improve on an overall better trade balance and current account inflows



Sources: Bank of Ghana, Ministry of Finance, Sarpong Capital Research

Key considerations for flows include

- Average oil prices of \$58 per barrel
- Improved investments on the back of Brexit and continued quantitative easing in developed nations, with an influx of yield-seeking investors
- Inflows buoyed by improved exports and diaspora remittances as some level of financial stability begins to return to developed nations in Q2 2021
- Outflows to creep up marginally on account of increased interest payments

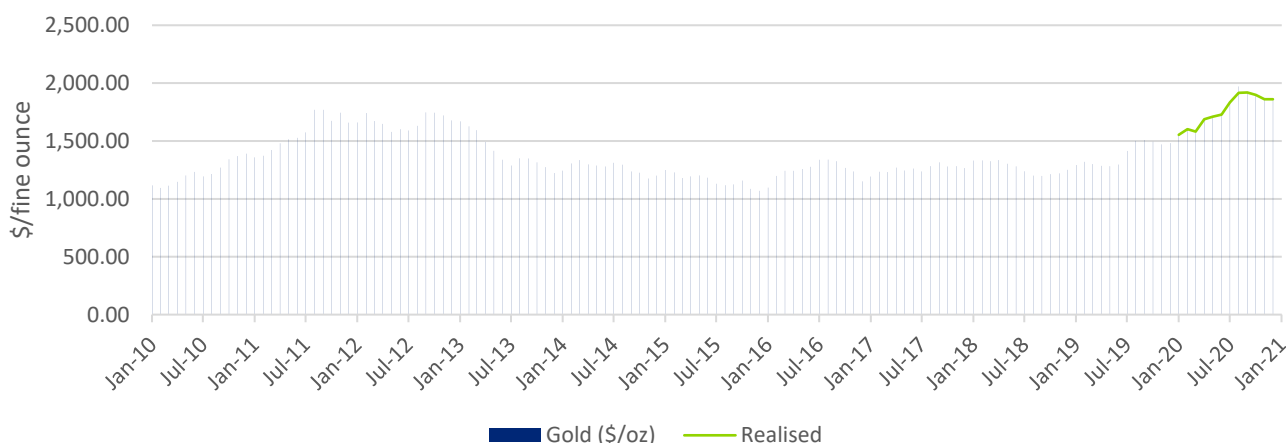


Commodities

Exports of gold and cocoa, being longstanding contributors to the Ghanaian economy, have historically and continue to fair well. The more recent addition of crude oil to the nation’s portfolio has brought added foreign currency revenue, though not without attendant volatilities on account of global oil price fluctuations.

In 2020, investors seeking safety in “the gold standard” on the global scene, bumped prices upwards to \$1,971.1 per ounce in August 2020. Ghana realised an average of 99.6% of international prices in its trade of the commodity, earning the Country some \$6.8 billion, 9.1% higher than the prior year. It is our expectation that as gold prices continue to slow somewhat from the 2020 jump, Ghana’s earnings for the commodity will hover around \$6.8 billion in 2021.

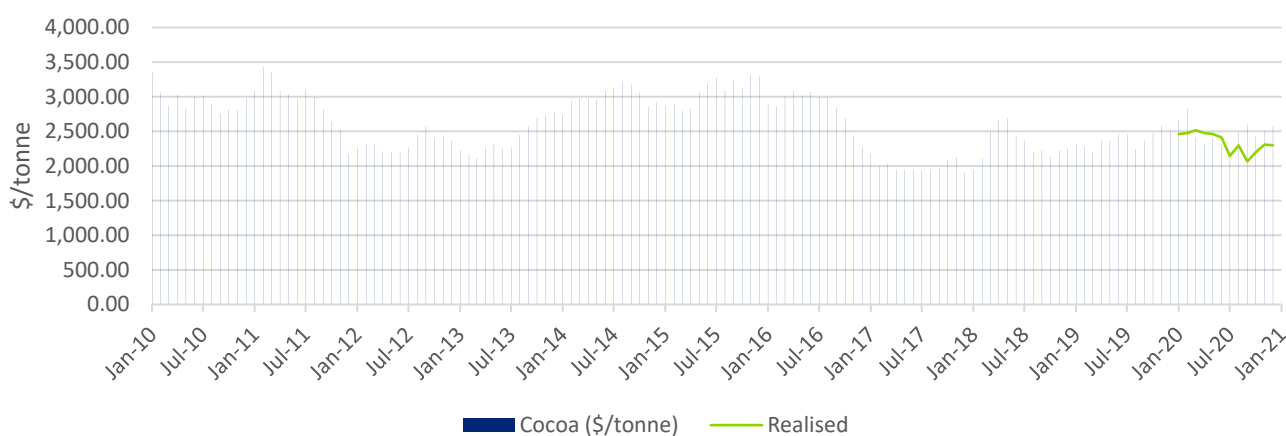
Figure 22: Gold set to uphold export performance



Sources: Bank of Ghana, Sarpong Capital Research

Realised value from cocoa exports were at about 94.8% of international prices, earning Ghana some \$2.3 billion in 2020. This represented a 2.1% year-on-year growth, as the commodity continues to be a bright spot for the economy with Ghana being one of the largest suppliers globally. Despite the economic lull experienced by key trading partners, the cocoa market has only been moderately impacted by the shutdown of supply chains and manufacturing processes globally. Cocoa is expected to pull in an additional \$2.4 billion in 2021, with realised pricing hovering around the \$2,300 per tonne mark.

Figure 23: Relative firmness in Cocoa exports is a plus for stability

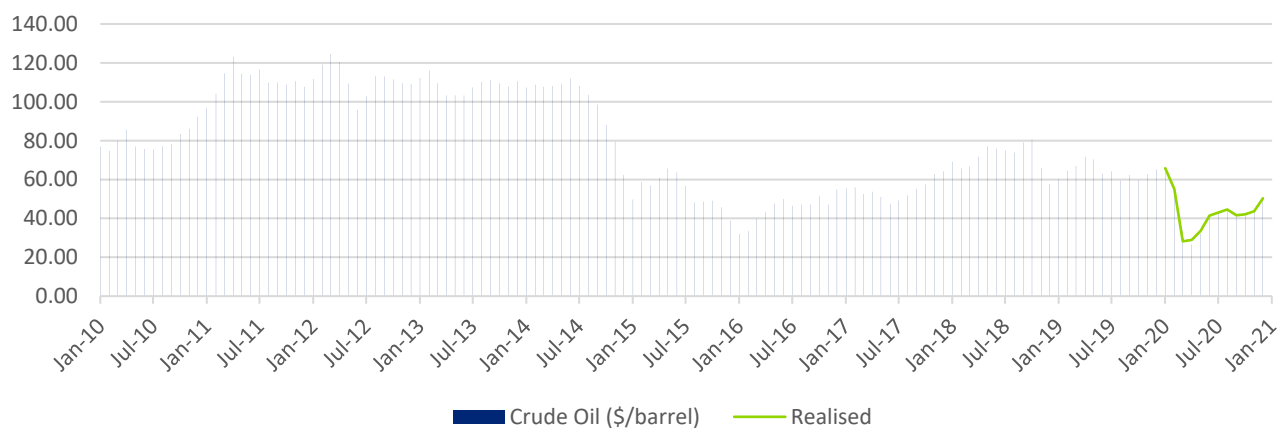


Sources: Bank of Ghana, Sarpong Capital Research



In the same vein, in view of the pandemic-initiated oil price crash between March and May 2020, the dip in prices reaching a monthly average low of \$26.60 per barrel in April 2020, significantly impacted revenues generated. Though 99.9% of international value was realised by Ghana, a 35.2% drop in revenue over the prior year to \$2.9 billion was recorded. We expect demand for energy related commodities to rebound in 2021 as manufacturing and business activity gradually recovers. However, shifts in consumer behaviour ranging from travel to work patterns is expected to subdue global demand. Our expectations of a \$58 per barrel average price for 2021 reflect these risks and realities, some transitional, as the world navigates the pandemic but some permanent as behavioural patterns shift. The World Bank pegs global consumption of crude oil in 2021 at 5% lower than pre-pandemic levels. In this light we expect oil revenues to grow by 3.5%.

Figure 24: Smoother stability curve anticipated for 2021 though high risk of susceptibility to volatilities persist

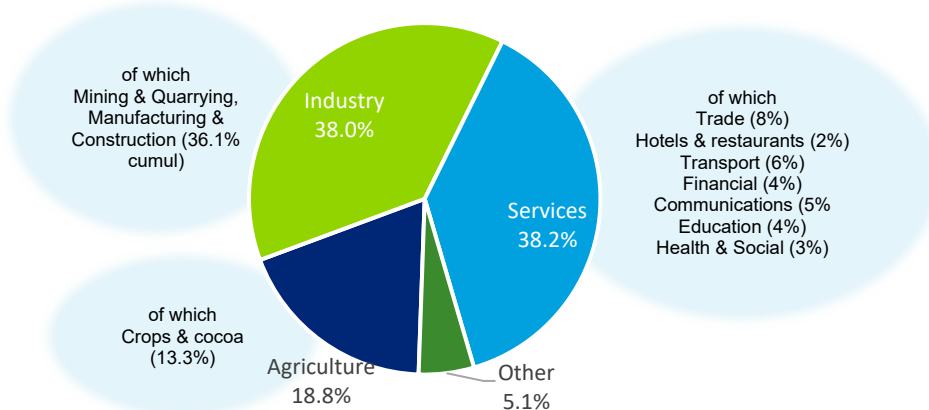


Sources: Bank of Ghana, Sarpong Capital Research

Gross Domestic Product (GDP)

Similar to the global scene, recording a recession for Ghana was inevitable in 2020. Though a shallow one, we estimate that overall, the economy contracted by 1.6% year-on-year. Disaggregating the make-up of gross domestic product, Ghana's economy has been driven by an active services sector comprising segments from the hospitality industry to financial services, information and communication and trade. Client/customer facing segments have been worst hit by the pandemic globally. The Industry sector, tying with the services sector in terms of output was also dealt a significant blow as activities ground to a halt in Q2 2020, and was also significantly responsible for such levels of economic contraction.

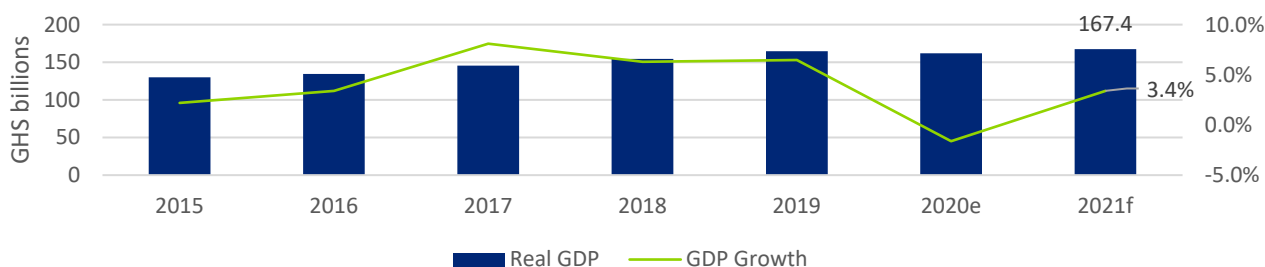
Figure 25: Service and Industry segments lead GDP performance



Sources: Ghana Statistical Service, Sarpong Capital Research

Looking ahead, our view is that the economy will rebound somewhat, from Q2 2021, with stronger recovery anticipated for the second half of 2021. Timelines are however contingent on curtailing the recent re-surge in Coronavirus cases as well as access to and administration of vaccines in key economic hubs. Furthermore, the Government's ability to channel funding to economy-stimulating segments such as manufacturing, infrastructure (including technology infrastructure), and construction, to bolster their output, will also be a determining factor. Signs of stability may not be seen till further into 2021. Therefore, marked rebounds should not be anticipated until well into 2022. In the near term however, we expect sub-segments such as Information & Communication, Construction, Agriculture and Health & Social work to be drivers of a projected year on year growth in GDP of 3.4%.

Figure 26: Real GDP forecasts anticipate a 3.4% recovery in 2021



Sources: Bank of Ghana, Ghana Statistical Service, Sarpong Capital Research

GDP growth considerations include:

- Strategically important sectors of the economy to be focussed on by the Government for quick wins, in line with the Cares programme including healthcare, education and construction though restricted by constrained funding
- Marginal improvements in global trade of key commodities such as Oil & Cocoa and development of new regional trade partnerships as nations looks to explore benefits of the Africa Continental Free Trade Agreement
- Continued performance of the agriculture sector

Segments expected to rebound or struggle in 2021

In line with global themes promoting economic stabilisation first, then growth of the real sector, we expect these themes to reverberate in Ghana. Enabling factors however include demand trends, financial market patterns/ investor confidence, economic policy direction of the government and projects planned for the second term of a President Akufo Addo-led administration. The following sectors are particularly expected to thrive in 2021:

- Manufacturing – Consumer focused
- Information and Communication
- Healthcare
- Construction

In line with Sarpong Capital's sector and industry classifications, segments of the economy expected to rebound or struggle/require support are outlined as follows:

Table 5: Sectors in need of investments or incentives for sustainable recovery

	Sub-segments	Expected to rebound	Expected to be relatively stable	Expected to require support	Sarpong Capital notes
Energy and Natural Resources	Oil & Gas (Upstream, Refining and Services)	•			Susceptible to global price shocks but expected to growth with price uptick
	Metals & Mining	•			Competitive performance on commodities markets, particularly gold
	Power Generation		•		Dependent on cost reflective tariffs alongside strong government support
	Forestry and Products			•	Success factors tied to off-taker agreements, yet to recover
	Alternative Energy	•			Climate preservation and SDG benchmarks spurring growth
Technology, Media and Telecommunications	Broadcasting		•		Capital and Cash Flow intensive, nonetheless a stable segment
	Advertising		•		Cash Flow intensive, nonetheless a relatively stable segment shifting to digital
	Film and Entertainment			•	Cash Flow intensive and in need of supporting framework
	Print Media			•	Cash Flow intensive and in need of supporting framework
	Sports and Entertainment			•	Cash Flow intensive and in need of supporting framework
	Data and Telecommunications	•			Thriving on shifting communication patterns. Low margins, scale is key.
Financial Institutions and Real Estate (Developers & Managers)	Banking		•		Strong deposits, net interest margins. Growing loan portfolio with elevated non-Performing loans
	Insurance		•		Increased claims in periods of economic downturn
	Savings & Loans		•		Expected increase in credit applications
	Broker Dealers	•			Improved capital markets activities to spur growth
	Asset Managers	•			Rebound/Inflow in investments to support
	Financing Vehicles (REITs, etc)		•		

Source: Sarpong Capital Research

Table 6: Sectors in need of investments or incentives for sustainable recovery (continued)

	Sub-segments	Expected to rebound	Expected to be relatively stable	Expected to require support	Sarpong Capital Footnotes
Industrial and Manufacturing	Construction	•			Government steered infrastructure development to boost industry
	Chemicals			•	Delayed recovery on account of slow rebound of manufacturing processes
	Agri-Processing	•			Local content drive to spur activity in addition to 1D1F initiatives
	Packaging	•			To thrive on the back of recovery in manufacturing
Consumer Business and Transportation	Retailers (including Supermarket chains and Oil & Gas Retail Outlets)		•		Little recovery to be noted with inflationary pressures an uptick in pump prices eroding gains as seen in 2020.
	Travel, Leisure and Hospitality			•	As travel and movement stall, a myriad of funding will be required to save operators in the short – medium term
	Transportation (including Aviation & Haulage Business)			•	Tepid recovery to be noted in the second half of the year though well below pre-pandemic records
	Fast Moving Consumer Goods, Food, Beverage and Breweries	•			Stable demand for essentials continues to uphold these segments though a squeeze in margins will be noted
	SMEs			•	Evolution in line with current realities key to survival
Public Sector and Capital Products	Utilities		•		Government support to keep utility providers afloat
	Education		•		Government initiatives will uphold the education sector. Private education may hurt
	Airports			•	Drop in passenger travel to impact airports and associated services
	Seaports and Harbours	•			Recovery is hinged on improved trade in 2021
	Railway		•		
	Non-Profits			•	Constrained funding impacting activities
Agriculture	Crops	•			Priority segments to be upheld by government and humanitarian initiatives
	Livestock	•			
	By Products		•		

Source: Sarpong Capital Research

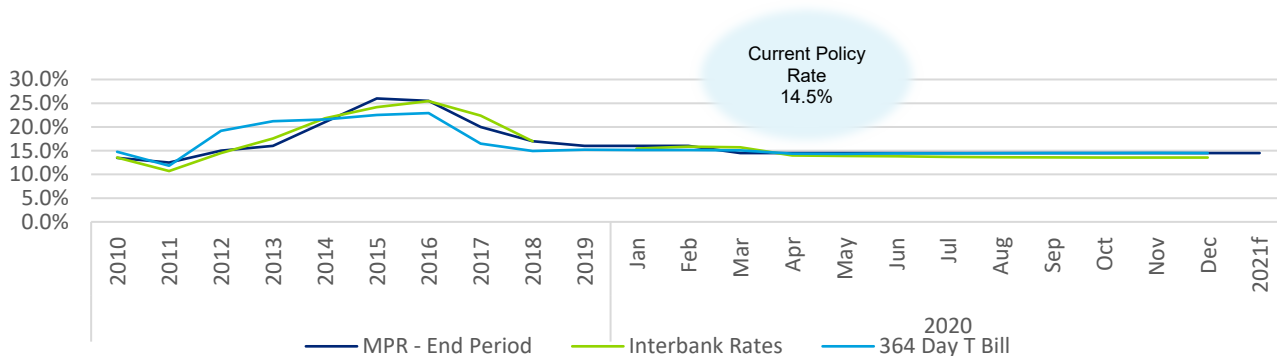


The Trio Rates –Interest Rates, Inflation, Exchange Rates

Interest Rates & Monetary Policy Stance

Following the MPC’s adoption of an expansionary stance in March 2020, further rate changes have largely remained flat hovering between 13.3% and 14.3% for interbank and 91-Day treasury bills rates and around 14.5% for 364 Day treasury bills. Recovery of real rates on the back of moderating inflationary pressures is a positive for the already attractive market which has seen an influx of yield-seeking investors.

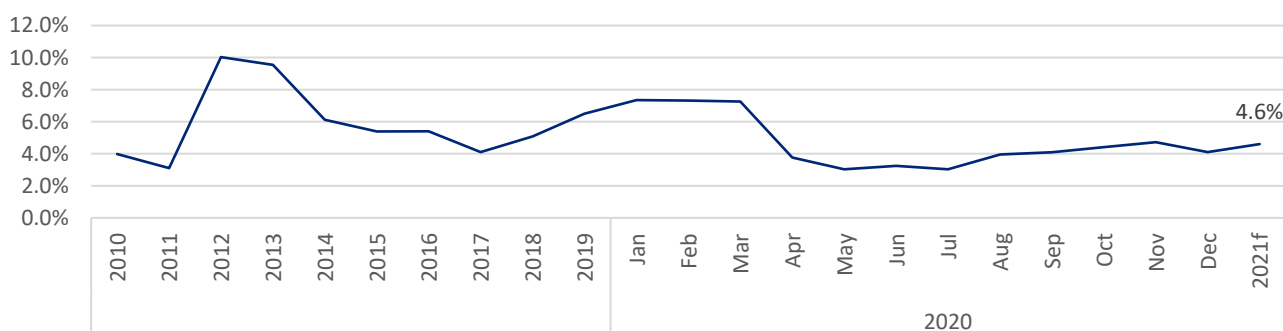
Figure 27: Benchmark policy rate to be held till at least H2 2021



Sources: Bank of Ghana, Sarpong Capital Research

Indeed, Ghana’s real rate of return has remained competitive in sub-Saharan Africa, and higher than developed economies such as the US, the UK and the Eurozone. In November 2020, the Monetary Policy Committee indicated that there may be need for a corrective policy stance to reverse the effects on inflation, a stance that has since been double-backed on given the effects of the pandemic’s second wave. An uptick in rates is thus highly unlikely until at the earliest Q3 2021, thus supporting much needed access to credit in the interim.

Figure 28: Attractive real returns buoy investor influx (364 Day treasury bills shown)



Sources: Bank of Ghana, Sarpong Capital Research

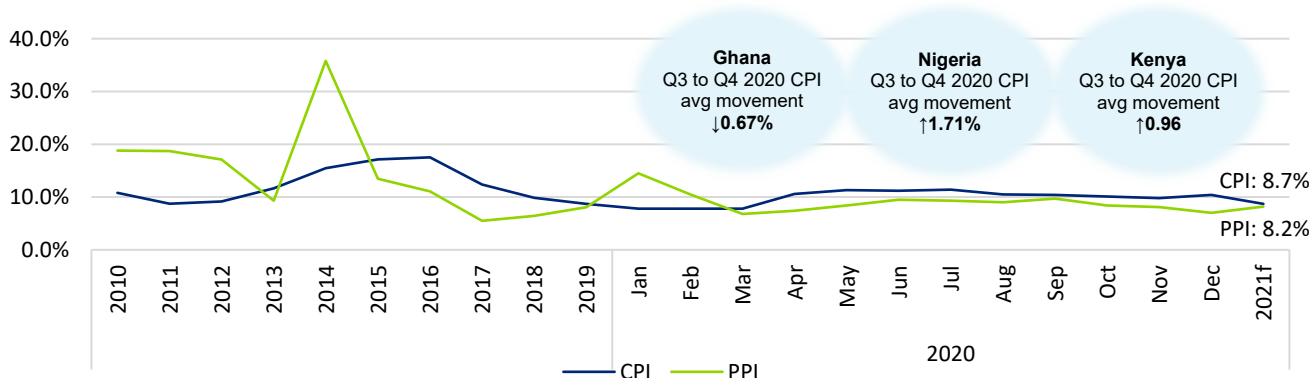
Inflation

Despite strong price shocks across economies, inflationary pressures in Ghana have remained largely controlled, particularly in comparison with pre-2018 levels and when compared against a number of other sub-Saharan markets. Upticks in the consumer price index (CPI) were particularly noted in April and May of 2020 as food price hikes were effected. Overall, both cost of production and route to market/supply chain costs have impacted both the Producer Price Index (PPI) and CPI. Though inflation rates currently stand above the government guidelines of 8% + or - 2%, threats of soaring inflationary pressures have been largely minimised. It may appear that there indeed is some comparative better recovery than some key sub-Saharan Africa economies. Between Q3 and Q4 2020, Ghana’s CPI declined by 0.67% while Nigeria and Kenya recorded upticks of 1.71% and 0.96% respectively.



We expect that some inflationary pressures will persist well into 2021 particularly driven by an uptick in global inflationary pressures and lingering supply-side constraints. However, this should remain close to the upper bands of the Government’s benchmark. The MPC in its January 2021 meeting alluded to broadly contained risks to inflation with short-medium term risk present given continuing expansionary stance and rising crude oil prices. However, in anticipation of signs of recovery in H2 2021 as well as possible indication of corrective (contractionary) monetary policy later in the year, our forecast is indicative of an 8.7% average year-on-year change in CPI and an 8.2% change in PPI for 2021.

Figure 29: Inflationary pressure risks largely abated

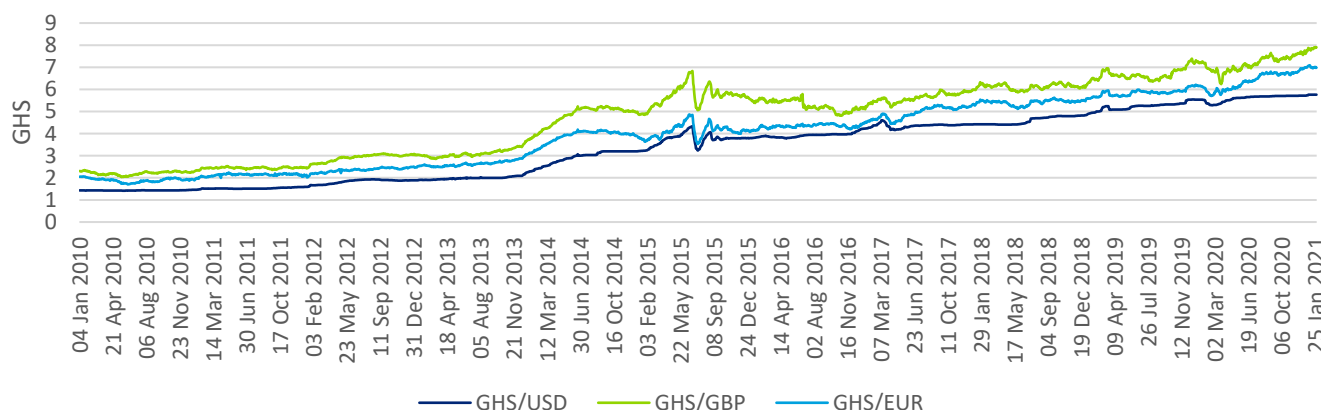


Sources: Bank of Ghana, Ghana Statistics Service, Kenya National Bureau of Statistics, Nigerian Bureau of Statistics, Sarpong Capital Research

Exchange Rates

Ghana’s currency story is one for the history books. Redenomination of the currency in July 2007, starting at GHS 0.92 to USD 1 has nonetheless seen steady depreciation to date, largely driven by inflationary pressures and dollar flows. Despite the initial volatilities recorded in Q1 2020 when the pandemic really set in, there has been some tapering in the rate of depreciation in recent months, a 4.1% depreciation was noted for 2020. At the end of January 2021, average interbank exchange rates for the USD, GBP and EUR were GHS5.76, GHS7.90 and GHS6.98 respectively.

Figure 30: Interbank average USD, GBP, EUR to GHS rates (Jan 2010- Jan 2021)



Sources: Bank of Ghana, Sarpong Capital Research

We expect that depreciation of the Cedi will persist in the near term, with an estimated 4.4% depreciation for the dollar rate by the end of 2021. This is barring any marked adverse effects of COVID-19 beyond the second wave that may result in spikes. Economic recovery and consequent dollar demand will be a contributory factor to the forecasted depreciation, though mitigated by improved FX inflows from investments and remittances.

Sarpong Capital Markets Traders' Perspective

Fixed Income

Ghana's Fixed Income (FI) market has experienced its fair share of highs and lows in the past 2020 business year. The impact of COVID-19 has been immense on the Ghanaian economy as Ghana and other countries have experienced slowed growth across all economic indicators.

The outbreak coupled with election-related pressures contributed to significant volatility in yields during the year. Yields were elevated at the beginning of 2020 between 21% and 22% for tenors above 1-year. By April, inflation had also risen above the upper band of its target range. In a bid to alleviate some of the strain COVID-19 was putting on the economy, the central bank surprised the market in March by cutting its policy rate by 150 basis points to 14.50%.

Additionally, the BOG reduced the primary reserve requirement by 200 basis points to 8% and the capital conservation buffer for banks from 3% to 1.5%. Yields remained at those low levels through Q2 before beginning to tick up at the end of Q3 as government borrowing ramped up ahead of the elections. Post-elections, rates dropped by about 50 basis points across the curve as MPR was remained at 14.5%

As the world attempted to return to normalcy, the secondary market was active with most of the activities at the front and belly of the curve. Looking ahead, a key risk to yields in 2021 is Ghana's financing requirements on the domestic market front, which will likely crowd-out the private sector, subsequently driving up interest rates. In February, the government expects to issue GHS1,820 million and GHS700 million worth of 2-year and 7-year bonds respectively; GHS700 million, GHS1,700 million, GHS1,400 million and GHS 111.40 million worth of 2-year, 3-year, 5-year and 20-year bonds is expected to be issued in March. A downward shift in the yield curve was seen relative to existing yields at the start of the year owing to increased investor demand for local bonds. Investor interest was focused on the mid-end of the curve. In 2021, we expect synergies between health and economic policies, a focus on fiscal and monetary actions to drag Ghana out of the current recession.

The possibility of COVID-19 Vaccines being made available to Ghana should positively affect the confidence in the markets. Ghana's expenditure needs would continue to soar owing to Government still requiring funds to support COVID alleviation projects. We should see interest rates rising as a result. The emergence of the African Continental Free Trade Area (AfCTA) agreement should provide a steady platform for the economic recovery of the domestic economy.

The government will be expected to make issuances before the end of Q1 and indeed throughout the year to support government expenditure. The issuance totalling GHS 22,346 million; GHS 19,732 million in rollover maturities and GHS 2,613 million in fresh issuances will spark activity in the market. Per Ministry of Finance issuance calendar, the first quarter will be focused on securities with GHS4,050 million and GHS5,385 million worth of treasuries planned to be issued in February and March, respectively.

Equities

In 2020, the Ghana Stock Exchange (GSE) recorded a total traded volume of equities of 695 million which was an 81% decline on the 2019 trading volume of 3.8 billion. This led to corresponding total value traded, of GHS 575 million in 2020, a 7.84% decline on the 2019 recorded value of GHS 624 million. The total number of trades also declined by 32% to 11,650 in 2020, owing to stalled equities investment decisions stemming from pandemic uncertainties.

Table 7: 2020 Top 5 Volume Leaders

Company	Traded Volume	% of Total Volume
MTN Ghana	589,669,300.00	84.80
GOIL Company Limited	17,905,100.00	2.57
CAL Bank Limited	17,681,617.00	2.54
Fan Milk Limited	14,764,648.00	2.12
GCB Limited	13,451,757.00	1.93

Sources: Ghana Stock Exchange, Sarpong Capital Research

Table 8: 2020 Top 5 Value Leaders

Company	Traded Volume	% of Total Volume
MTN Ghana	361,056,922.13	62.76
GCB Limited	52,447,946.87	9.12
EGH	46,312,236.99	8.05
Unilever Limited	46,245,679.28	8.04
Fan Milk Limited	17,195,027.01	2.99

Sources: Ghana Stock Exchange, Sarpong Capital Research

Equities traded improved marginally in November and December as investor confidence improved when the Country emerged from the first wave. As a result, activity in the two penultimate months contributed to 37% of total volume traded and 41% of total value of equities traded in 2020.

Examining trade patterns, Information and Communications Technology (ICT) stocks emerged as the most valuable traded equities with GHS 94,074.53 averagely being made on every trade in 2020. The ICT sector is set to continue to record gains, as the world leverages virtual services over the coming years as “the new normal”. The Finance Industry recorded a comparatively lower average value of GHS 28,522.36 per trade despite being the most traded industry at 4,508 trades in 2020. We expect this trend to continue in the near term.

Looking to 2021, improved investor sentiments despite the new-strain fuelled pandemic resurgence, appears to have lifted the market lethargy of the past two years. The GSE Composite Index which dipped by 12.25% and 13.98% in 2019 and 2020 respectively, has given way to some 12.15% rebound year-to-date. This improvement, driven by activity in the ICT and Financial Services sectors is expected to be further buoyed by signals of overall economic growth, notwithstanding second waves and vaccine roll-outs. With foreign direct investors looking to emerging markets, we expect selective participation in ICT, Banking, Oil & Gas, Food & Beverage and Manufacturing stock trades.

Disclosures Appendix

Apart from trade ideas described below, Sarpong Capital Research may no longer offer specific instruments or products. Any previously-offered recommendations on instruments are withdrawn forthwith and should not be relied upon.

Regulatory Disclosure:

Subject issuers: Sarpong Capital and/or its affiliates have not received compensation for the provision of investment banking or financial advisory services within the past one year.

This research report has been prepared by Sarpong Capital Research, which is part of Sarpong Capital Markets, a division of Sarpong Capital. Sarpong Capital is authorised and under the supervision of the Securities and Exchange Commission in Ghana.

Analyst Certification Disclosure: The research analyst or analysts responsible for the content of this research report certify that: (1) the views expressed and attributed to the research analyst or analysts in the research report accurately reflect their personal opinion(s) about the subject securities and issuers and/or other subject matter as appropriate; and, (2) no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendations or views contained in this research report. On a general basis, the efficacy of recommendations is a factor in the performance appraisals of analysts.

Global Disclaimer: Sarpong Capital and or its affiliates ("SC") makes no representation or warranty of any kind, express, implied or statutory regarding this document or any information contained or referred to on the document. The information in this document is provided for information purposes only. It does not constitute any offer, recommendation or solicitation to any person to enter into any transaction or adopt any hedging, trading or investment strategy, nor does it constitute any prediction of likely future movements in rates or prices, or represent that any such future movements will not exceed those shown in any illustration. The stated price of the securities mentioned herein, if any, is as of the date indicated and is not any representation that any transaction can be effected at this price. While all reasonable care has been taken in preparing this document, no responsibility or liability is accepted for errors of fact or for any opinion expressed herein. The contents of this document may not be suitable for all investors as it has not been prepared with regard to the specific investment objectives or financial situation of any particular person.

Any investments discussed may not be suitable for all investors. Users of this document should seek professional advice regarding the appropriateness of investing in any securities, financial instruments or investment strategies referred to on this document and should understand that statements regarding future prospects may not be realised. Opinions, forecasts, assumptions, estimates, derived valuations, projections and price target(s), if any, contained in this document are as of the date indicated and are subject to change at any time without prior notice.

Our recommendations are under constant review. The value and income of any of the securities or financial instruments mentioned in this document can fall as well as rise and an investor may get back less than invested. Future returns are not guaranteed, and a loss of original capital may be incurred. Foreign-currency denominated securities and financial instruments are subject to fluctuation in exchange rates that could have a positive or adverse effect on the value, price or income of such securities and financial instruments. Past performance is not indicative of comparable future results and no representation or warranty is made regarding future performance. While we endeavour to update on a reasonable basis the information and opinions contained herein, there may be regulatory, compliance or other reasons that prevent us from doing so. Accordingly, information may be available to us which is not reflected in this material, and we may have acted upon or used the information prior to or immediately following its publication.

SC is not a legal or tax adviser, and is not purporting to provide legal or tax advice. Independent legal and/or tax advice should be sought for any queries relating to the legal or tax implications of any investment. SC, and/or a connected company, may have a position in any of the securities, instruments or currencies mentioned in this document. SC and/or any member of the SC group of companies or its respective officers, directors, employee benefit programmes or employees, including persons involved in the preparation or issuance of this document may at any time, to the extent permitted by applicable law and/or regulation, be long or short any securities or financial instruments referred to in this document and on the website or have a material interest in any such securities or related investment, or may be the only market maker in relation to such investments, or provide, or have provided advice, investment banking or other services, to issuers of such investments.

SC has in place policies and procedures and physical information walls between its Research Department and differing public and private business functions to help ensure confidential information, including "inside" information is not disclosed unless in line with its policies and procedures and the rules of its regulators. Data, opinions and other information appearing herein may have been obtained from public sources. SC makes no representation or warranty as to the accuracy or completeness of such information obtained from public sources. You are advised to make your own independent judgment (with the advice of your professional advisers as necessary) with respect to any matter contained herein and not rely on this document as the basis for making any trading, hedging or investment decision. SC accepts no liability and will not be liable for any loss or damage arising directly or indirectly (including special, incidental, consequential, punitive or exemplary damages) from use of this document, howsoever arising, and including any loss, damage or expense arising from, but not limited to, any defect, error, imperfection, fault, mistake or inaccuracy with this document, its contents or associated services, or due to any unavailability of the document or any part thereof or any contents or associated services. This material is for the use of intended recipients only and, in any jurisdiction in which distribution to private/retail customers would require registration or licensing of the distributor which the distributor does not currently have, this document is intended solely for distribution to professional and institutional investors.

© Copyright 2020 Sarpong Capital and its affiliates. All rights reserved. All copyrights subsisting and arising out of all materials, text, articles and information contained herein is the property of Sarpong Capital and/or its affiliates, and may not be reproduced, redistributed, amended, modified, adapted, transmitted in any way without the prior written permission of Sarpong Capital.

Document approved by

Yomi Akinola
Head, Research

Data available as of

12:23 GMT 02 March 2021

Document is released at

12:23 GMT 02 March 2021

Biggles Amponsah

Head, Institutional Capital Markets