

Databank Africa Strategy Report

**Review of 2016
&
Outlook for 2017**

Ghana's Growth Outlook for 2017: Optimism with Caution

January, 2017

Databank Research

TABLE OF CONTENTS

- Economic Overview of Sub-Saharan Africa
- Fixed Income Markets in Sub-Saharan Africa
- Sub-Saharan Africa Currencies
- Equity Markets in Sub-Saharan Africa
- Commodity Performance

Economic Overview: Sub-Saharan Africa (SSA)

Economic reforms, Political and Security Risks to drive investor decisions in 2017: We note a raft of economic reforms aimed at mitigating the persistent external threats, in critical sectors of the continent's economies in 2016.

- Nigeria: Reforms and a return to growth to drive policy decisions in 2017.** The central bank's decision to adopt a flexible exchange rate regime in Jun-2016 provided a boost to investor confidence as Nigeria struggled to meet FX demands in the fixed exchange rate regime. We however believe that investor confidence is yet to be fully restored, as prevailing restrictions on FX sale to importers of selected items continue to create distortions in pricing of the USD on the currency markets. Security risks in the Niger-Delta region appear to have reduced with a deal agreed between militants and authorities for a ceasefire. The resultant modest recovery in Nigeria's crude oil output to \approx 1.8 million bpd should support production levels in 2017 although we believe the 2.2 million bpd used in the 2017 budget is quite optimistic.
- Kenya: Upcoming elections critical for investment:** Kenya would have to navigate political uncertainty in the lead up to the Aug-2017 elections. Heated parliamentary debates on amendments to the electoral laws, potential tension and possible fiscal slippages are among the top-rated risks ahead of the 2017 elections. We believe this would weigh down on investor optimism about Kenya's outlook for 2017.
- Cote d'Ivoire: 2-Year IMF program (2017 – 2018) to sustain investor confidence:** The authorities in La Cote d'Ivoire have decided to sign up for another Extended Credit Facility program (\$658.9 million) with the IMF following the expiration of the previous program in Dec-2015. The latest IMF program (approved in Dec-2016) is aimed at maintaining fiscal discipline, creating buffers and the fiscal space to support infrastructure and social spending. We expect the policy consistency from the new program to sustain investor confidence in Cote d'Ivoire's economy in 2017.

Ghana: Economic Landscape in 2016

Fragile macroeconomic stability on weak economic fundamentals: Ghana's macroeconomic condition in 2016 was fairly tilted to stability territory, on account of continued tight monetary stance, fairly stable currency and easing inflationary pressure since 2H-2016. We however note that the current state of macroeconomic fundamentals requires improvements in order to entrench the stable economic conditions in 2017.

- Fiscal Deficit:** Budgetary operations were hampered by lower-than-expected tax revenue, partly due to discretionary effect of a stringent tax regime endured by the private sector in 2016. Given the high non-discretionary expenditure and a possible election-related overruns, we expect Ghana's fiscal deficit to climb above 7% for 2016 (higher than the GOG's 5.0% target). We believe the fiscal slippages from 2016 would require careful consolidation in 2017 to minimize the heightened fiscal risk.
- Gross Reserves:** Sustaining the Cedi's stability hinges critically on rebuilding Ghana's reserve of foreign currency to offer the requisite cushion from domestic and external shocks. Although the BOG authorized exporters to sell FX earnings directly to commercial banks (since Jul-2016), low crude oil price, unfavourable export markets and constrained domestic productivity weighed down on overall export earnings. The Cedi's relapse in the final month of 2016 can be attributed to a lack of robust reserves, which restricted the BOG's ability to absorb both external and domestic shocks. Although gross reserves closed 2016 moderately above 3 months of import cover, we believe potential FX pressures in Q1-2017 will pose a risk to reserves position and Cedi stability over the next 3 months.
- GDP Growth:** Ghana's growth pulse has been weak since 2014, hovering around 4% over the last three years. Following a consistent decline in GDP growth since 2012, we believe that growth has already bottomed out and the 2017 fiscal year could provide an inflection point for growth trend. Economic activity in 2016 was undermined by the tight fiscal and monetary regime compounded by the lower crude oil output which resulted from technical faults on the FPSO at the Jubilee field.
- Interest Rates (T-Bills):** Interest rates for treasury bills remained above 20% during the first three quarters of 2016 on account of inflation uncertainty, tight GHS liquidity, banks' reduced desire for credit expansion and high refinancing risk faced by the government. The high Non-Performing Loans ratio (19% as at Sep-2016) significantly reduced risk-taking by banks while the elevated yields for T-Bills provided a risk-free alternative. We believe the sustained decline in interest rates for T-Bills observed in Q4-2016 must be continued in 2017 in order to trim the appeal of T-Bills and redirect capital to the private sector for economic growth. We however reckon that inflation dynamics in 2017 would determine the pace of further decline in interest rates although we anticipate a generally downward path.

Ghana: Economic Outlook in 2017

Entrenching macroeconomic stability in 2017 requires lowering the fiscal risk: We expect Ghana's macroeconomic situation to improve moderately in 2017 on the condition that the fiscal risk is well managed. Our assessment of the macroeconomic prospects for 2017 (as shown on the dashboard) indicates that fiscal risk remains the primary domestic threat to entrenching macroeconomic stability and GDP growth for 2017.

- The Fiscal Outlook:** The outlook for fiscal deficit in 2017 hinges critically on the post-election budget outturn in 2016 and the scale of implementing the new government's fiscal agenda. The unexpected shortfall in Ghana's tax revenue for 2016 coupled with additional pressure from election-related spending in the last quarter undermined the fiscal consolidation efforts. Against this backdrop, we believe the fiscal situation remains weak and would require cautious implementation of the proposed tax cuts by the new government. While the lower interest rates on T-bills would ease the growth in interest payments for 2017, the anticipated revenue from the new Sankofa-Gye Nyame oil & gas fields would not be realized until Q3-2017. This would limit the scope for substantial tax cuts in 2017 by the new government.

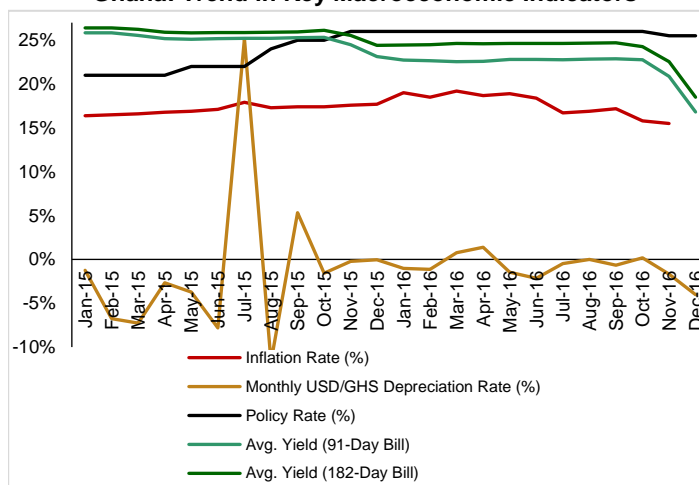
In general, we expect a marginal reduction in Ghana's exposure to fiscal risk in 2017 on account of anticipated improvement in oil & gas revenue due to higher crude oil price and anticipated increase in production. This would however require a measured and gradual implementation of tax reforms in order to avert significant shocks to the fiscal regime.

- Outlook for Monetary Policy:** Our general expectation for monetary policy in 2017 is a downward path, supported by easing inflationary pressures. With inflation ultimately expected to drop to 10.1% ± 50bps and barring unanticipated shocks to cost-side pressures, we envisage a monetary easing cycle which could lead to a Monetary Policy Rate (MPR) of 19.5% ± 50bps by FY-2017.

The scale of implementation of the new government's fiscal agenda would partly determine the pace of monetary easing. A more expansive fiscal strategy would require a cautious approach to monetary easing as the demand-side pressures must remain firmly anchored to ensure lower inflation in 2017.

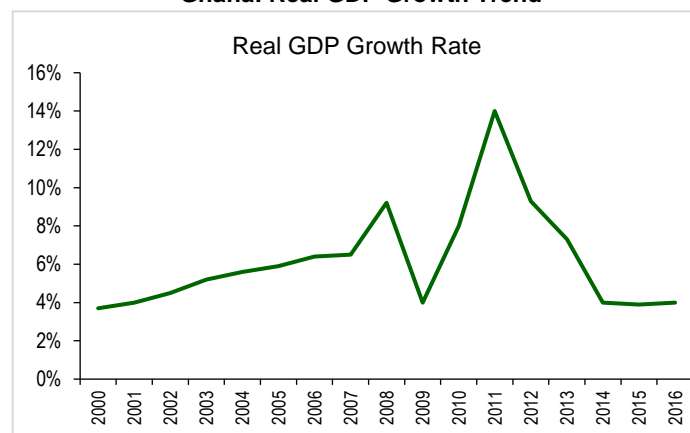
The rate of increase in U.S. interest rates (due to the Fed's hawkish monetary stance for 2017) poses additional external headwind to FX stability with pass-through to inflation and the path of monetary policy in 2017.

Ghana: Trend in Key Macroeconomic Indicators



Source: Databank Research, Bank of Ghana

Ghana: Real GDP Growth Trend



Source: Databank Research, Ghana Statistical Service

Key Economic Indicators in 2016 and Databank Forecast for 2017

Indicators	Latest Available Data in 2016	FY-2016 Revised GOG	FY-2017 Databank Projections
Real GDP Growth	4.0% (Q3-2016)	4.1%	6.3% ±50bps
End Period Inflation	15.4% (Dec-2016)	10.1%	10.1% ±100bps
Fiscal Deficit	5.9% (Sep-2016)	5.0%	5.3% ± 50bps
USD/GHS Depreciation	9.65% (FY-2016)	-	7.37%
91-Day T-Bill Rate	16.43% (FY-2016)	-	14.1% ± 100bps
Gross Reserves (months of import cover)	3.5 (FY-2016)	≥ 3	≥ 3

Source: Databank Research, Bank of Ghana, Ghana Statistical Service

Databank Dashboard for Performance of Key Economic Indicators

Indicators	Strong	Moderate	Weak	Concern
Macroeconomic Indicators				
Fiscal deficit (%)	≤ 3.0	3.1 – 5.0	5.1 – 7.0	> 7.0
CPI Inflation (%)	≤ 10.0	10.1 – 12.0	12.1 – 15.0	> 15.0
Interest Rate (91-day - %)	≤ 12.0	12.1 – 13.0	13.1 – 16.0	> 16.0
GDP Growth Rate (%)	≥ 8.0	7.9 – 6.0	5.9 – 4.0	< 4.0
USD/GHS Depreciation Rate (%)	≤ 10.0	10.1 – 12.0%	12.1 – 15.0	> 15.0
Gross Reserves (Months of Import)	> 4.0	4.0 – 3.0	2.9 – 2.0	< 2.0
Global Commodity Prices				
Crude Oil (\$/b)	> 70.0	70.0 – 50.0	49.0 – 30.0	< 30.0
Gold (\$/oz.)	> 1,200	1,200- 1,000	999 - 800	< 800
Cocoa (\$/MT.)	≥ 3,000	2,999 – 2,000	1,900 – 1,500	< 1,500

Source: Databank Research

- Cautious Growth Outlook for 2017:** Ghana's growth prospects in 2017 would be supported by improved lending appetite of commercial banks (with NPLs expected to decline from the 19%) and additional hydrocarbon production from the Tweneboa-Enyera-Ntomme and the Sankofa-Gye Nyame fields. Overall crude oil production in 2017 would however be limited by technical challenges with the FPSO on the Jubilee oil field.
- Hydrocarbon Prognosis for 2017:** Tullow's operational results for FY-2016 indicate that average daily oil output from the Jubilee field was 73,700bpd due to the technical challenges on the FPSO. This represents a 28% production shortfall relative to the 2015 output. Tullow projects a further decline of 7% y/y in 2017 with the FPSO expected to be shut down for up to 12 weeks in 2017 to pave the way for repair works. On the other hand, the Tweneboa-Enyera-Ntomme (TEN) field is expected to ramp up oil production to 50,000bpd (up from 14,600bpd in 2016) while gas export from the field will commence in 2017.

Our analysis of the average production data indicates that Ghana's crude oil production in 2017 would exceed the 100,000bpd mark, surpassing the 88,300bpd achieved in 2016. Without accommodating the anticipated output from the Sankofa-Gye Nyame field (Aug-2017) and the other operators, the combined average daily output from the Jubilee and TEN fields could hit 118,500bpd, representing a 34% y/y output gain in 2017.

With global crude oil price expected to oscillate within the band of \$50pb - \$60pb, the higher market value of these output should also add momentum to Ghana's GDP growth. Although the oral hearings for the maritime border dispute with La Cote d'Ivoire (over the TEN field) is slated for 6th – 17th Feb-2017 and final ruling expected in Q4-2017, this should not affect production from the 11 wells already drilled. We therefore expect the higher hydrocarbon output coupled with growth in financial services to drive Ghana's overall growth momentum from a weak to a moderate rating in 2017, per our dashboard

Databank Research Projections for 2017

Indicators	Latest Available Data in 2016		FY-2017 Databank Projections
Macroeconomic Indicators			
Real GDP Growth	4.0%	(Q3-2016)	6.3% ±5 0bps
End Period Inflation	15.4%	(Dec-2016)	10.1% ± 100bps
Fiscal Deficit	5.9%	(Jun-2016)	5.3% ± 50bps
USD/GHS Depreciation	9.65%	FY-2016	7.37%%
91-Day T-Bill Rate	16.43%	FY-2016	14.1% ± 100bps
Gross Reserves (Months of Import)	3.5	(FY-2016)	≥ 3
Global Commodity Prices			
Crude Oil (\$/b) –Avg. price	45.0		57.75
Gold (\$/oz.) – Avg. price	1,251		1,102
Cocoa (\$/MT) – Avg. price	2,853		2,225

Source: Databank Research, Bank of Ghana, GSS

KEY
CONCERN
WEAK
MODERATE
STRONG

Fixed Income Market Overview

Nigeria: Stagflation, Naira Depreciation Elevates Nominal Yields in Nigeria; Real Yields Negative

Following a succession of downbeat macroeconomic outturn in 2016, investors demanded higher yields on Nigeria's short term debt instruments. Africa's largest economy slid into a technical recession in 2016 following consecutive quarters of negative growth. Crude oil production tumbled to 1.39M bpd in Aug-2016 (optimal level: 2.5M bpd), the lowest level since 1988, at the peak of militant activities in the Niger Delta. The marked revenue shortfall from lower crude oil output and weaker crude oil prices together dragged the economy into a technical recession in Q2-2016.

The shortfall in oil revenue (~70% of Nigeria's export receipt is from crude oil) imposed an unsustainable FX liquidity pressure on the Naira, prompting a floatation of the Naira in Jun-2016. The central bank however maintained its capital controls, leading to arbitrage opportunities on the parallel market as importers continuously resort to the black market for their FX needs. As a result, the official USD/NGN pair (₦ 304.5) traded at a wide variance from the parallel market rate (₦ 488) at FY-2016.

Though a major producer, Nigeria imports ~70% of refined oil for domestic consumption. The country experienced fuel shortages as oil importers struggled to obtain FX following the floatation of the Naira. Consequently, cost-side pressures from imported fuel, electricity tariff, transport, food and other imported items triggered a northwards momentum in consumer prices.

For FY-2016, inflation surged by 888bps to an 11-year high of 18.48%, sparking a cycle of monetary tightening. In response to the rising inflation, the MPC raised the MPR cumulatively by 300bps to 14% in 2016. Short term nominal yields soared as a result, with 91-day and 182-day T-bill rates rising cumulative by 1000 bps and 1130 bps respectively in 2016. Notwithstanding this surge in nominal yields, real returns on T-bills were negative in 2016 due to elevated inflation pressures.

Following an agreement with militant groups over a compensation package, oil production is gradually recovering; reaching 1.8M bpd in Dec-2016. We therefore expect the higher crude oil output and stable crude oil price to increase oil revenue in 2017. The resultant FX liquidity boost would support stability in the Naira, with the knock-on effect being domestic price stability as the import component of inflation subsides. Nominal yields are therefore expected to commence a trimming cycle to mirror the anticipated disinflationary process.

Egypt: Long-Standing Macroeconomic Imbalances Trigger Surge in Nominal Yields; But There is End in Sight

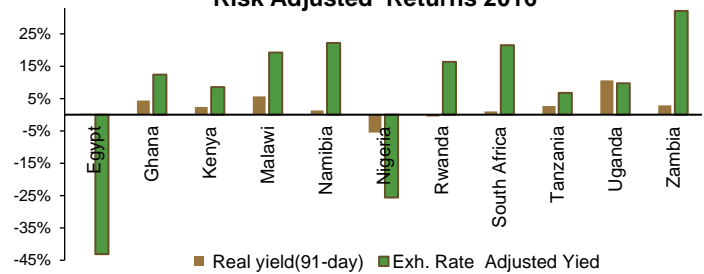
We perceive declining risks to fixed income investments in Egypt beyond 1HY-2017 following the gradual correction of imbalances in the economy. Underlying structural challenges and the prolonged political transition that followed the 2011 political uprising led to the build-up of macroeconomic imbalances in Egypt.

SSA T-bill Yield Dynamics FY-2016 (%)

	91-day Closing Yield	Avg Yield	Year Change	182-day Closing Yield	Avg. Yield	Year Change
Egypt	19.16	14.0	7.8	19.7	14.8	8.3
Ghana	16.75	22.1	-6.2	17.9	23.8	-6.5
Kenya	8.55	8.7	-1.9	10.5	10.9	-1.9
Malawi	23.99	27.6	0.1	25.5	27.9	2.9
Namibia	8.61	8.0	1.5	9.1	8.4	1.2
Nigeria	14.00	9.0	10.0	17.5	12.3	11.3
Rwanda	8.94	6.6	4.4	9.2	6.8	4.0
S. Africa	7.79	7.3	1.0	8.0	7.4	0.7
Tanzania	7.09	7.9	-2.2	14.5	15.9	-2.6
Uganda	14.00	16.1	-7.3	15.1	17.3	-7.8
Zambia	20.50	21.1	5.5	23.9	24.1	3.6

Source: Databank Research, Bank of Ghana, Ghana Statistical Service

Risk Adjusted Returns 2016



A significantly overvalued exchange rate undermined competitiveness and depleted Egypt's foreign reserves. The economy recorded slow growth and high unemployment in the process. Domestic revenue mobilization continuously fell short of target, while poorly targeted subsidies and ballooning public sector wage bills worsened the fiscal deficit and public debt levels.

Inflation pressures were rife and severe foreign exchange shortfalls stymied the appeal of Egyptian assets and dampened investor confidence in Egypt. Off-shore investment inflows shrunk as a result while the black market for FX trade thrived. The elevated inflation and exchange rate risks underscore the 780 bps and 830 bps cumulative surge in nominal yields on 91-day and 182-day bills in 2016.

In a move to fix these underlying structural challenges, Egypt committed to a 3-year, programme under the Extended Fund Facility (EFF) with the IMF in Nov-2016.

The \$12bn EFF programme seeks to support home-grown economic policies to restore macroeconomic stability and promote inclusive growth in Egypt. As a pre-condition for the programme, Egypt floated the Pound in Nov-2016, devaluing it by 32%. The USD/EGP pair has since depreciated cumulatively by 57.2% to EGP 18.27 in 2016.

The reforms underpin a gradual return of investor confidence in Egypt. In Our view, there exist a significant FX demand backlog in Egypt. The Central bank is also expected to scrap the remaining caps on transfers and FX deposits by 1HY-2016. We therefore expect depreciation pressures to persist through the 1HY-2017, resulting in elevated inflationary pressures over the same period. Consequently, nominal yields are expected to remain elevated in Q1-2016. We however believe that, the FX mobilization efforts of the government (including an impending Eurobond and other Bi-lateral loans) will lend liquidity support to the EGP towards stabilisation beyond 1HY-2016. Subsequently, we expect the price pressures to subside, thereby sustaining investor interest in Egyptian assets. We therefore project an upsurge in nominal yields through 1HY-2016, with a correction cycle expected in 2HY-2016.

Ghana: Improving Macro Economy Underpin Decline in Nominal Yield

The domestic and external risks to investing in Ghana subsided in 2016 following a gradual return to stability as a result of gains from the IMF programme. Short term yields (91 & 182-day bills) shed 620 bps and 650 bps respectively y/y in 2016. The steepest declines occurred in Q4-2016 (91-day: 600bps; 182-day: 610bps), impacted by a steady and appreciable decline in headline inflation.

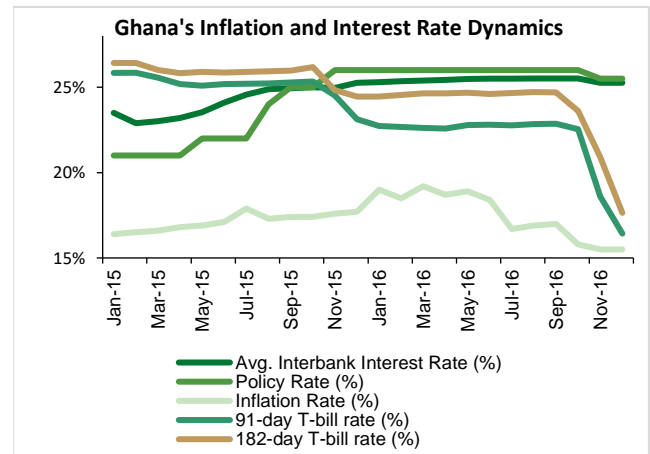
Headline inflation declined by 360bps to 15.4% in 2016 due to the positive effects of good harvest and relative stability in the Cedi. The Cedi's strength stemmed from the gains from fiscal consolidation under the IMF programme, sustained by monetary tightening and improved off-shore appetite for Ghanaian assets. The resultant investment inflows boosted FX liquidity in propping up the Cedi. Cumulatively, the cedi depreciated by 9.7% in 2016 (FY-2015: 15.7%) on the interbank market.

The desirable paths of inflation and exchange rate and relative stability in the macro economy reduced the internal and external risks to investing in Ghana. As a result, we observed excess supply of funds for locally issued debt instruments relative to target. Total bids submitted for domestically issued GoG debts stood at GH¢70.6bn (\$16.8bn) against a total issuance target of GH¢56.57bn (\$13.47bn), resulting to the marked slowdown in nominal yields.

For FY-2016, government's fresh borrowing exceeded target (GH¢6.4bn) by GH¢3.7bn. We believe the excess borrowing, given the lower yields, supported governments overall goal to reduce debt service costs. Our data however revealed that government was not successful at re-structuring public debt away from the shorter end of the maturity spectrum as projected, with public domestic borrowing heavily skewed to the short end of the market.

In Q1-2017, government shall seek to raise GH¢17.4bn (\$4.14bn) across the maturity curve to refinance maturing debts estimated at GH¢15.5bn (\$3.9bn). Our analysis revealed that short term debts constitute ~95% of the expected maturities in Q1-2017. We therefore expect government's domestic borrowing activity to be concentrated at the shorter end of the debt market due to the higher short term refinancing needs

While available fiscal data suggests that GDP growth will meet target (Q3-2016: 4%), fiscal deficit (Nov-2016: 5.9%) and the debt to GDP ratio (Sep-2016: 67.4%) for FY-2016 are expected to worsen. This is due to marked revenue shortfalls and expenditure overrun, particularly over the election period Exchange rate pressures could also re-emerge in Q1-2017, following the weaker end of year performance of the Cedi.



	Issued Debt	Matured Debt	Fresh Issuance
91-day	38.00	36.63	14.10
182-day	15.94	14.92	10.15
1-year	27.87	0.76	20.28
2-year	25.80	0.44	21.42
3-year	21.14	13.07	0.81
5-year	25.24	0.31	22.19
10-Year	0.44	-	0.44
Total	64.44	54.36	10.10

Source: Databank Research, Bank of Ghana, Central Securities Depository

We however expect a boost in revenue as crude oil production from the TEN field ramp up, with the exploration of the Sankofa Gye-Nyame field expected to commence by Aug-2017. This is expected to support capital expansion and economic growth in 2017. Additionally, the policy stance of the new pro-business government inspires hope, as policies are tabled to ensure reduction in the cost of credit. Premised on this outlook, we project a slower decline in nominal yields in 2016 in response to the expected decline in inflation. This notwithstanding, we flag government's dominance at the shorter end of the market and the refinancing needs as posing upside potential to nominal yields.

African Currency Market Update

South African Rand: Positive performance for 2016

The South African Rand posted a good performance against the dollar in FY-2016, recording a year-on-year appreciation of 14.28% and emerging as the best performing currency in the basket of African currencies tracked by Databank Research. Significant political developments in advanced markets (such as Brexit) resulted in increased investment inflows into emerging markets and supported the Rand. South Africa avoided a credit risk downgrade from Moody's in November, which kept investor interests in the economy and strengthened the Rand. Given the expected U.S Fed rate hikes in 2017, we project a depreciation in the Rand in 2017 as foreign exchange inflows into emerging markets are expected to decline.

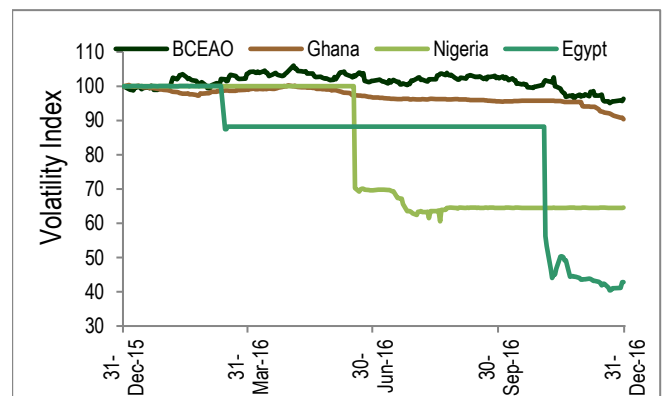
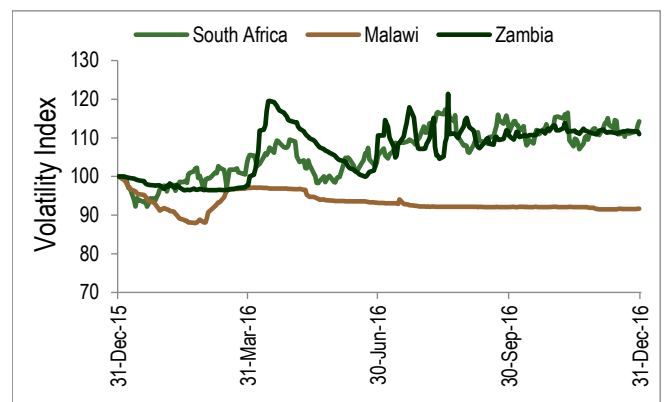
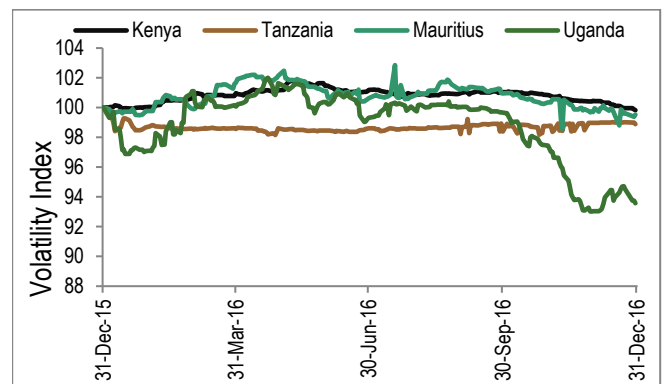
Egyptian Pound: The Egyptian pound was the worst performer in Databank Research's basket of currencies for 2016. The pound depreciated by 57.20% y/y against the U.S dollar in 2016. Mounting demand for foreign exchange and a vast difference between the official and black market rates necessitated a devaluation and floating of the Egyptian pound. In addition, the devaluation of the currency facilitated an Extended Fund Facility of \$12 billion from the IMF to rejuvenate the Egyptian economy. Towards the end of 2016, inflationary pressures from increased energy prices caused volatility in the Egyptian pound and resulted in further depreciation of the currency. We expect depreciation pressures on the pound to persist in 2017 due to a substantial foreign exchange demand backlog in Egypt's Economy.

Ghana Cedi: Relative Stability to Continue Into 2017

The Ghana cedi performed relatively better in 2016 compared to 2015, recording 9.7%, 7.1% depreciation against the U.S Dollar and the Euro respectively while appreciating by 8.08% against the British pound.

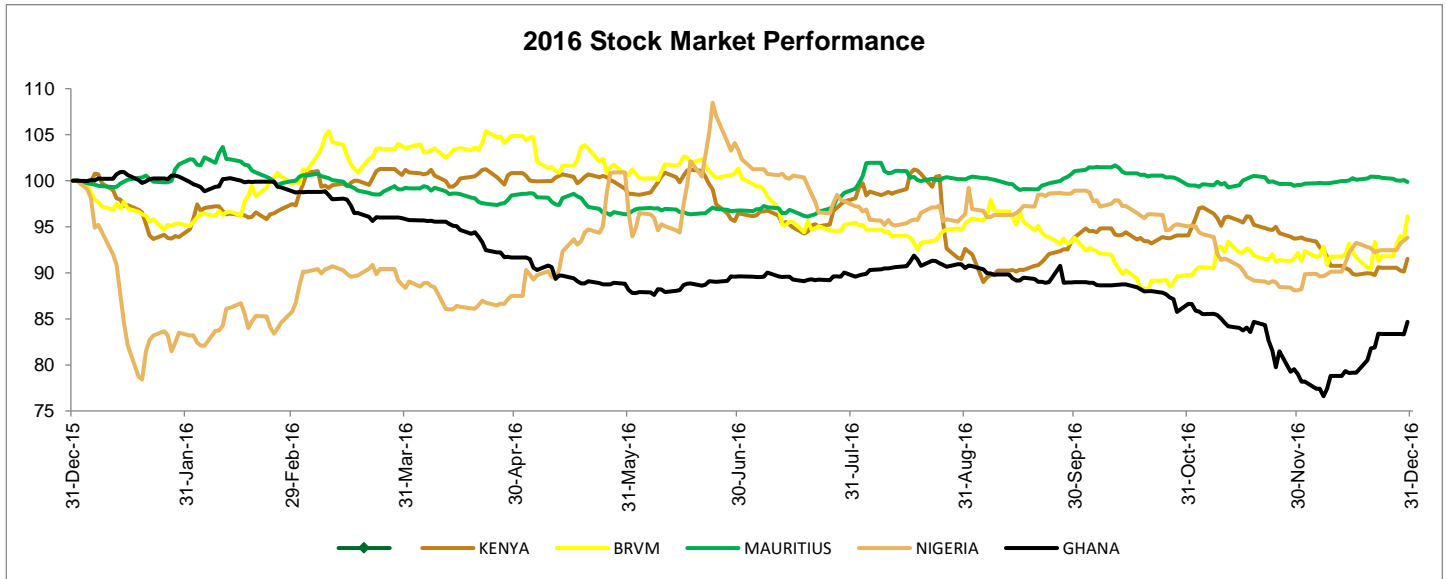
The cedi remained relatively stable against the U.S dollar for the most parts of 2016, depreciating by 4.4% for the first 9 months of the year. The stability was mainly as a result of tight fiscal and monetary policies employed by the government as part of the ongoing Extended Credit Facility programme under the IMF. In addition, foreign exchange inflows from a 750 million dollar Eurobond and a 1.8 billion dollar syndicated loan secured by Ghana Cocoa Board (COCOBOD) supported the cedi against depreciation pressures. In the final month of the year, the cedi lost ground against major trading currencies. This resulted from concerns about the political situation in the country as presidential and parliamentary elections were held in December 2016. Consequently, foreign exchange inflows were constrained and the cedi was suppressed. The seasonal festivities at the end of the year also increased demand for foreign exchange and put some downward pressure on the cedi. These factors led to a steep depreciation of the cedi in December, (4% m/m) pushing up the full year depreciation to 9.65%. The cedi fared better against the Great Britain pound in 2016, appreciating by 8.08% for 2016. Great Britain voted in a referendum to terminate its membership of the European Union, which caused the pound to depreciate significantly against major trading currencies. This effect trickled down to the Ghana cedi, resulting in the strengthening of the cedi against the sterling.

We expect the Ghana Cedi to be fairly stable in 2017. Positive macro-economic indicators witnessed towards the end of the 2016 such as the downward trend of inflation (from 19.2% in March 2016 to 15.40% in December 2016) and the reduction of interest rates on the money market in the fourth quarter, provide a moderately positive outlook for Ghana's economy going into 2017. This would make Ghana an attractive investment destination and support foreign exchange inflows into the country. In addition, hydrocarbon production from the Tweneboa-Enyera-Ntomme (TEN) and the Sankofa –Gye Nyame fields are expected to buttress the inflow of foreign exchange into the Ghanaian economy. A key risk to the outlook is however the expected Fed rate hikes in 2017, which could present a major hurdle to forex inflows into emerging markets such as Ghana. We therefore project the Ghana cedi to record a relatively modest depreciation of 7.37% for full year 2017.



Source: Databank Research

Equities Market in SSA



Nigeria: The Nigerian equities market continued on a decline for the second straight years. The Nigeria Stock Exchange's All Share Index closed 2016 at ~26,875 points; 1,765 points lower and reflecting a return of -6.17% with most losses occurring in the 4th quarter. The bearish sentiment persisted in the equities market due to the pervasive macro-economic headwinds that plagued the country each successive quarter. A total of 84 stocks lost value while 39 stocks appreciated in price with prices of 56 stocks staying put.

Nigeria's economic woes stems from falling crude oil prices, a weak naira and widened fiscal imbalances. Thus, foreign inflow into Nigeria remained low as the stable macro-economic indicators, which allured investors into the country has rapidly withered out. Restrictions on FX trade constrained business operations shrinking profit margins quarter after quarter. This contributed to the contracted economic growth for three successive quarters while inflation consistently rose for ten months in a row (18.5% as at November, 2016).

We expect the general negative investor sentiment to persist as the macroeconomic uncertainties continue to undermine the equities market. We believe foreign investors will remain cautious in the short term as the country's macroeconomic fundamentals are not likely to witness significant improvement in the coming quarters. We reckon tight FX liquidity and a weaker naira will still constrain the operation of businesses, narrowing profit margins in 2017.

Against this background, we foresee a clear risk for most sectors in the economy (oil and gas, manufacturing, general commerce and the power) which will adversely impact the performance of the financial sector given its high exposure to these sectors.

We recommend large banks with strong capital base including: UBA and Zenith Bank to investors in 2017. These banks have the resilience to withstand any shocks in the country given their ability to absorb bad debts and effectively manage their risk exposures.

NIGERIA			
FY- 2016 TOP GAINERS	FY – 2016 RETURN (%)	FY-2016 WORST LAGGARDS	FY – 2016 RETURN (%)
Dangflou	276.11	FO	-73.20
Ucap	114.96	Skye Bank	-67.95
Total	103.39	Caverton	-63.56
Seplat	87.19	Diamond Bank	-62.55
Mobil	86.00	Sterlnba	-57.54

Source: Databank Research, Bloomberg

French West African Stock Market: Bourse Régionale des Valeurs Mobilières (BRVM)

The benchmark French West African Stock Market (Bourse Regionale De Valeurs Mobiliers, BRVM) maintained its downward trend in Q4-2016, undermined by sell offs in heavily weighted stocks including: Ecobank Transnational Inc. Onatel, Sonatel and Bollre AL.CI. The benchmark Composite Index receded by 11.76 points y/y to close at 292.17 points, reflecting a year end decline of 3.87% compared to a positive return of 18.30% recorded for 2015. The wavering investor interest on the bourse can largely be attributable to the unimpressive financials released by listed equities in 2016. Notably, among them are: Filtisac (PAT -60% to XOF9.25 billion), Unilever (Net Income -48% to XOF-4.76 billion), SETAO (Net Income -44% to XOF209 billion) and SMB (PAT -7% to XOF3.75 billion). This negative performance resulted in a negative market breadth for the year 2016. A total of 26 stocks lost value compared to 16 gainers whilst the price of 1 stock remained unchanged. Equity market capitalization for the BRVM settled at \$12.39 billion at the end of 2016.

Francophone West African countries are projected to drive growth in the sub-region in 2017, largely due to their respective favourable economic outlook. Cote d'Ivoire is expected to grow at 8% whilst the exploitation of new energy should boost economic growth in Senegal. Increased mining in Burkina Faso and Mali should also provide some support to these countries given their heavy reliance on commodity exports. We thus reckon that the BRVM is in a more favourable position to consolidate economic gains and this will continue to drive foreign participation on the bourse.

We thus expect a considerable increase in the broad market activity this year, mainly on account of increased confidence of foreign investors. In particular, the financial sector, is expected to be the main source of growth and investor interest. We expect SIB and BOA CI to be the leading light in the banking space. These banks published strong top line and earnings performance in 2016 driven by strong deposit mobilisation, loans book expansion and efficient costs management strategies. Looking forward, we expect the earnings growth momentum to continue to drive their share prices in 2017.

BRVM

FY- 2016 TOP GAINERS	FY – 2016 RETURN (%)	FY-2016 WORST LAGGARDS	FY – 2016 RETURN (%)
BOAM	65.39	Vivo Energy	-95.68
SIB	58.17	Ecobank Transnational Inc.	-46.81
SICOR	34.20	Air Liquide CI	-43.59
CORIS BANK International	33.49	BOASN	-36.49
BOABN	29.23	SETRAO	-33.60

Source: Databank Research, Bloomberg

Kenya: The Nairobi Stock Exchange All Share Index continued on a downward spiral ending the year down -8.48% to 133.34 points. For the year under review, 11 stocks gained in value, 52 went down and 7 remained unchanged on the Nairobi Stock Exchange. The biggest loser, Uchumi Supermarkets Ltd (USCP) closed the year down -63.93%. The abysmal performance of the supermarket giant can be attributed to delay in releasing financial results creating anxiety amongst investors' as well as its high debt profile. National Bank of Kenya (NBKL) also wiped out KES 2,664 million off its market cap due to poor performance as a result of low net interest margins. The poor performance of margins stems from new laws capping interest rate charges.

At the dawn of the new law, NBKL saw customers withdraw in excess of KES 15 billion. Deposits fell from KES 110 billion at the start of 2016 to KES 95 billion by the last quarter of 2016. The banking sector took a big hit during the year. Loan book quality declined as non-performing loan ratio closed the year at 9.3% from the 9.1% figure from October. NBKL also struggled with the effect of massive reclassification of outstanding loans early on in the year where the health of the loan portfolio was found to have been overstated and several facilities restated as non-performing.

A major corporate action was Jubilee Holdings Limited (JBIC) scouted for acquisitions outside Kenya as there is looming shakeout for Kenyan Insurers who fear a squeeze in the new capital requirements. JBIC eyed potential acquisitions in Ethiopia, Mozambique and Rwanda. Acquisitions are going to be one of the strategies firms will use to cushion the effect of risk based regulations on the banking and insurance industry in Kenya. KenolKobil (KNOC) on the other hand led the pack of leaders on the NSE by finishing the year up 55.21%. The leading petroleum marketing company's performance was largely influenced by its improving financial performance.

The stock experienced high demand from both local and international institutional investors. Trailing KenolKobil on the leaders list is Kenya Airways Ltd (KNAL) closing 2016 at KES 5.85, a 19.39% increase for 2016. KNAL's performance flew on the back of increased flight connectivity especially through deals to improve its reach in Asia. Threats of pilot strikes throughout the last quarter was not strong enough to bring Kenya Airways stocks down as the threats did not affect smooth operations.

Outlook for the Kenyan economy in 2017 is quite stable. Investors will be more hesitant to take long-term positions in the stock market due to the upcoming Kenyan elections slated for August 2017. One sector that may experience growth is the hospitality industry. The industry is set to capitalize on the positive view of the hospitality sector going into 2017. Companies like Kenya Airways are already harnessing this opportunity through numerous codeshare deals to increase its connectivity. The banking sector on the other hand will try to mitigate the loss of net interest margins by growing the volume of the loan book. Some banks have already announced staff cuts and others are exploring how best to harness the digital space as part of strategies for growth.

KENYA

FY- 2016 TOP GAINERS	FY – 2016 RETURN (%)	FY-2016 WORST LAGGARDS	FY – 2016 RETURN (%)
KenolKobil	55.21	Uchumi Supermarkets	-63.93
Kenya Airways	19.39	National Bank of Kenya	-54.57
Safaricom	17.48	Sanlam Kenya PLC	-54.17
British American Tobacco Kenya	16.24	Home Afrika	-53.85
Longhorn Publishers	9.06	Nation Media Group	-51.05

Source: Databank Research, Bloomberg

Mauritius: The Stock Exchange of Mauritius Index (SEMDEX) fell marginally by -1.19% from 1,830.16 points at the end of Q3 to 1,808.37 points at the end of Q4. The preferred place of doing business in Africa saw 17 stocks making gains, 22 experiencing declines and 3 remaining unchanged for the year 2016.

The biggest gainer, the national lottery operator, Lottotech Ltd saw its shares surge by 67.1%. The last quarter especially witnessed a spurt in financial performance by the newly listed firm, which runs the National Lottery on behalf of the government of Mauritius. The exceptionally high number of Lotto rollovers served as a catalyst for the strong financials chalked during the year.

BlueLife made losses of Rs 76m up from losses of Rs 84m for the same period in 2015. The drop-in occupancy of commercial centres and properties, coupled with overheads and financial costs put significant pressure on the firm's cash flows. The most actively traded stocks on the Mauritian Bourse were the banking group MCB Group, New Mauritius Hotels and the sugar production company, Alteo which together accounted for 57.20% of total market turnover.

The biggest weighted company on the SEMDEX, Mauritius Commercial Bank Group profits surged to record level of Rs6.63bn, up 15.8%. MCB Group also managed to reach their target of 40% for cost income ratio. Again, the group recorded a decent profit of Rs 1.6 bn, a 3.3% increment from the previous year.

A New company, IBL was listed on the SEMDEX through an amalgamation of Ireland Blyth Ltd. with GML Investissement in June. The new entity is now the third biggest listed company on the Stock Exchange of Mauritius after Mauritius Commercial Bank Ltd and State Bank of Mauritius Ltd.

Tourism will continue to be a driving force on the SEMDEX in 2017. Total tourist arrivals for the year 2016 rose by 10.8% to 1,151,252. European tourists were in the lead with Germany, United Kingdom, Italy and France recording highest tourist arrivals in Mauritius.

Companies like Air Mauritius are in a good spot to leverage the growth in tourists through some deals it has inked to connect the Asian market. The national carrier has also signed an MOU and bilateral air service agreement with Ethiopia, Zambia, Kenya, South Africa and Nigeria. 2017 will see the fruition of the Air Corridor Project which will boost tourist arrivals for the year.

Companies like Alteo, is set to improve performance in 2017 as the world sugar market is currently in a deficit cycle. This creates opportunities for the sugar manufacturing firm to harness the gap in the world supply.

Mauritius

FY- 2016 TOP GAINERS	FY – 2016 RETURN (%)	FY-2016 WORST LAGGARDS	FY – 2016 RETURN (%)
Lottotech Ltd	67.61	BlueLife Ltd	-37.67
Automatic Systems Ltd	63.01	Cie Magasins Populaire	-35.25
Air Mauritius Ltd	28.18	ENL Commercial Ltd	-31.06
United Basalt Products	26.25	United Docks Ltd	-28.47
Ireland Blyth Ltd	17.92	Swan General Ltd	-25.61

Source: Databank Research, Bloomberg

Ghana: The Bears Reign in 2016: Macro Economic Struggles Batter the GSE

The Ghana Stock Exchange (GSE) experienced a bear run in 2016. The GSE Composite index (GSE CI) started off 2016 at a level of 1994.51 points. After a fairly positive first month, the benchmark index recorded a steady decline (q/q) to end the year with a -15.33% return (1689.09 points) after sinking to a 34-month low of 1527.94 points (-23.41% return) on election date 7th December 2016. The market breadth of the GSE was broadly negative with 23 stocks declining year-on-year compared with only 6 gainers. The rest of the counters were unchanged.

The poor performance of the GSE was as a result of the generally unimpressive earnings published by listed firms in 2016. The unfavorable macroeconomic environment, characterized by persistent double-digit inflation, low consumer demand, higher utility tariffs and an irregular supply of electricity, negatively affected the profitability of businesses. The banking sector was particularly impacted by the challenging macroeconomic environment. The sector recorded an industry wide spike in non-performing loans to 19.1% in July 2016. The high NPL ratio coupled with a slowdown in non-interest income growth and the constricted loan book expansion stagnated and in some instances reduced the y/y growth in bottom-line of listed banks. The stock market's woes were further compounded by the high returns in the less volatile fixed income market (~25% p.a on the 91 Day Treasury bill) which rendered the equity market an unattractive option for investors.

Activity on the GSE was generally lacklustre although two block trades in GOIL and increased activity in the low priced UT Bank pushed up the volume of shares traded by 3% y/y to ~253 million shares valued at GH¢241m (-1% y/y). UT Bank, the worst laggard for 2016, lost 70% of its stock price fuelled by investors' concerns after the company did not circulate its financials for close to a year. Speculators were however having a field day trading in the stock as it is currently trading at GH¢0.03 which is markedly below its 2008 IPO price of GH¢0.30.

The GSE listed two new banks, Access Bank Ghana Limited and the Agricultural Development Bank, on the main list of the GSE. This increases the number of companies on the main list of the GSE from 36 to 38 and the number of listed banks from 8 to 10. The expansion of the highly-traded banking sector is projected to increase the turnover and liquidity of the GSE.

Ghana: Key Market Statistics

	FY-2016	FY-2015
Market Cap (GHS'b)	52.7	57.1
Aggregate Volume Traded ('m)	525	245
Aggregate Turnover (GHS'm)	241	246
Return	-15.33%	-11.77%

Source: Databank Research

Ghana

FY-2016 Top Advancers	End Price (GH¢)	%Change
Fan Milk Limited	11.14	51.56
Agricultural Development Bank	3.83	44.53
Hords Ltd.	0.10	25.00
Standard Chartered Bank Pref. Shares	0.75	5.63
Access Bank Ghana	4.10	2.50
FY-2016 Worst Laggards	End Price (GH¢)	%Change
UT Bank	0.03	-70.00
Ecobank Transnational	0.10	-62.96
Total Petroleum	1.96	-61.18
African Champion Industries	0.01	-50.60
Produce buying Company	0.06	-40.00

Source: Databank Research, Ghana Stock Exchange

Outlook: GSE to Rebound in 2017 Spurred on by Strengthening Economic Fundamentals

FMCG, Banking and OMC Stocks to fuel Stock Market Advance

We are optimistic of the prospects of the equities market this year. Our views are premised on expectations of a rebound of Ghana's economy in 2017 which will provide an enabling operating environment for companies to expand. We forecast GDP growth to pick up to 6.3% \pm 50bps in the year spurred on by the commercial extraction of oil from the Tweneboa, Enyenra and Ntomme oil fields. The macro economy is tipped to be characterized by a narrower fiscal deficit, lower inflationary pressures, increased consumer demand, relatively stable power supply and a less volatile currency. We thus forecast a broadly positive market breadth with a 20% (\pm 5 %) return on the benchmark index in 2017, riding on the back of our sector favorites, the FMCG, banking and OMC sectors.

Banking Sector Tipped to Excel from 2017

The banking sector is projected to record a positive growth in bottom line in 2017 reversing the negative trend recorded in 2015 and at HY 2016. We expect the banks to ease the conservative stance adopted toward expanding the loan book in the past two years, as Ghana's economy continues to recover into 2017. In our opinion, the projected improvement in the operating environment for businesses should positively impact NPLs in the banking sector in 2017. We project the decline in interest rates on government treasuries and the expected improvement in asset quality to lead to an aggressive expansion of the loan portfolio. This will boost the growth in interest income and partially offset the decline in non-interest income. The increased pace of economic expansion expected this year should also translate into a strong demand for credit from the private sector which will augur well for the growth in revenue and bottom line of listed banks.

Increased Sales to Drive Returns of the OMCs

We are equally bullish on the oil marketing sector. The liberalization of petroleum pricing in Ghana enables Oil Marketing companies (OMCs) to compete on pricing. The Listed OMCs, GOIL and Total Petroleum, are favourably positioned to compete on pricing to increase market shares, given their large size and associated benefits from economies of scale. We expect the sales volume of jet fuel to pick up following the 25% price reduction of aviation fuel (August 2016) by the National Petroleum Authority, in a bid to make Ghana an attractive refuelling point in the sub region. This will benefit top line growth and enhance the profitability of listed OMCs in the short to medium term. We further expect the ongoing expansion of the Harbours and the Kotoka International Airport to support growth in the OMC sector as this is expected to increase air traffic and boost bunkering activity in Ghana. The domestic aviation sector is projected to expand on the back of increasing demand and the potential extension of commercial flights to all regional capitals. We additionally anticipate the expansion and upgrade of the Kotoka International Airport to increase air traffic and enhance Ghana's drive to be the preferred aviation center in the West African Sub region. The resultant increase in the volume of direct international flights to Ghana is forecast to increase the demand for aviation fuel in the medium term. The expansion of the Tema and the Takoradi Harbours is tipped to improve on the efficiency of cargo handling services, increase vessel movements and allow larger capacity ships to dock. We believe this will drive the demand for marine gasoil and boost bunkering activity. We thus project the expected increase in sales volumes of marine gasoil to positively impact revenues of the listed oil marketing companies and enhance profitability of OMCs in the medium term.

Market Activity Set to Soar

We are broadly optimistic of the fortunes of the equity market in 2017 and anticipate lively trade activity on the GSE. The projected positive financial performance of listed firms is tipped to lead to increased activity on the bourse. The dwindling interest rates in the fixed income markets (currently \sim 17% p.a. for the 91-day Treasury Bill) should offer an additional boost to the equity market as investors are expected to rebalance portfolios in favour of equities. We also anticipate a number of IPOs on the GSE as banks are expected to raise capital in a bid to meet the impending increase in the minimum capital requirement. We project trading activity to pick up markedly in 2H-2017 as the macro economy firms up and stronger financials start to trickle in. Most stocks are trading below their fair value following the generally poor financial performance over the past two years and subsequent depression in prices on the GSE. The broad market valuation is at a 5-year low with an average Price to Earnings* (P/E) multiple of 11.29x and Price to Book (P/B) multiple of 1.64x over the past two years. These multiples are significantly below the average P/E of 24x and P/B of 2.2x recorded for the period 2011-2014. The current low prices, in our opinion, offers a good entry point for investors.

SNAP SHOT OF DATABANK BROKERAGE LTD STOCK PICKS											Last Update	30.12.16	Risk Rating	Risks to Outlook
											GHS/USD	4.20		
Company	Issued Shares	Capitalization		Free Float	12M EPS	P/E	P/BV	ROE	Price target	± Potential	Rating			
	'm	GH¢ 'm	USD 'm	%	GH¢	x	x	%	GH¢	%				
Financial Sector														
CAL Bank	548.26	411.20	97.90	37.00	0.25	3.0	0.7	24.9	1.46	94.67	STRONG BUY	Low	Slow economic growth, sustained decline in non interest income , further decline in asset quality, contraction of the loan book, sharp decline in interest rates, sustained depression in commodity prices, scarcity of FX, sharp increase in cost of funds	
Ecobank Ghana	293.23	1,876.66	446.80	12.00	1.06	6.1	2.0	33.3	8.16	27.50	BUY	Low		
GCB Bank	265.00	943.40	224.61	47.00	1.39	2.6	0.9	35.1	4.97	39.61	BUY	Low		
Standard Chartered Bank Ghana	115.51	1,406.88	334.96	16.00	0.88	13.9	2.0	14.5	16.32	33.99	BUY	Medum		
Société Générale Ghana	429.06	266.02	63.33	26.00	0.13	4.9	1.0	19.7	1.02	64.52	STRONG BUY	Low		
Non- Financial Sector														
Total Petroleum Ghana	111.87	221.51	52.74	21.00	0.28	7.0	1.4	20.0	6.41	223.74	STRONG BUY	Low	slow economic growth, Volatility in global crude oil prices	
Ghana Oil Company	391.86	431.05	102.63	30.00	0.17	6.5	1.4	21.5	2.28	107.27	STRONG BUY	Medium		
Fan Milk Ltd	116.21	1,294.55	308.21	42.00	0.51	21.9	8.4	38.3	9.92	-10.95	HOLD	Low	Slow economic growth ,currency volatility, low consumer demand, influx of cheaper alternative imports, unavailavbility of FX	
Guinness Ghana Breweries	307.59	501.38	119.37	17.00	0.19	8.4	1.9	23.0	2.55	56.44	STRONG BUY	Low		
Unilever Ghana	62.50	531.88	126.63	28.00	0.46	18.5	8.5	45.8	11.22	31.84	BUY	Low		
Companies are categorized into financial and non-financial sector											Source: GSE, Databank, BOG			

The Global Commodities Market in FY-2016

Global commodity prices rebounded in 2016, compared to their 2015 performance. Nine (9) out of the eleven (11) commodities tracked by Databank Research recorded positive year to date price changes, maintaining the trend from Q3-2016. Rising uncertainty on the global political front, a financial stimulus package in China and weather or human induced supply concerns contributed to this overall recovery, albeit with mixed results in the agricultural sector. Agricultural commodities featured the only 2 decliners of 2016. Cocoa posted the sharpest decline of 33%, followed by corn with a 2.9% decline. The energy commodities on the other hand were the top gainers of 2016, with Natural gas posting the strongest gain of 64.7%.

BRENT CRUDE OIL - Brent Price Fragile Rally Following Historic OPEC Deal

Brent crude closed 2016 at \$57.13/bbl, representing a seven-year annual gain high of 55.6%. Investor perceptions of a widening or shrinking oil supply glut drove the volatility experienced for much of the year. Consecutive reports of record breaking daily output levels across some major producers including Saudi Arabia (10.72 mil bbl/d) and Russia (11.2 mil bbl/d) for example, fueled perceptions that oil supply ran ahead of consumption, pulling down Brent price. Increased oil production and the growth in the number of oil rigs in the US added to the sentiment of a worsening glut. On the other hand, frequent production disruptions through natural or militant activity in other major producers including Canada, Nigeria, Venezuela and Kuwait drove speculation of tightening supply, and placed upward pressure on Brent price. On the back of these disruptions, oil price rallied in Q4-2016. Brent price northward trek in Q4 was additionally driven by OPEC's historic September consensus, where countries pledged to cut 1.2 million bbl/d from global oil production, and a further 558,000 bbl/d from non-OPEC countries. Brent price grew by 7% in September alone, in response to this decision. This bullish run persisted for the remainder of Q4-16.

On the demand side, the economic slowdown in the consumption pillar China slowed the growth rate in global oil consumption in 2016. Oil demand however failed to counterbalance the upward pressure from the supply side factors. This excludes the expected seasonal oil demand jumps, like the August US summer driving season.

Our oil forecast for 2017 includes the continued dominance of supply side factors in price dynamics of crude oil in 2017. The sustainability of the current upward trend hinges on investor confidence that countries would commit to the production cut. In December, the Saudi Oil Minister hinted at even further cuts, adding to the optimism surrounding the deal and thereby placing more inflationary pressure on oil price.

On the contrary, bearish sentiments from increased US drilling, enticed by the higher prices, must also be considered. Should oil price continue to rise, American shale producers could amplify production, effectively capping oil price or exerting enough downward pressure to cause Brent price to fall. Based on these supply side factors, we anticipate Brent price to hover between \$50/bbl and \$60/bbl in 2017.

GOLD - Bullish Run Prevails Amidst Global Political Turmoil

Bullion commenced FY-2016 with significant gains, on the back of global turmoil following Chinese stock market turbulence. The sharp losses posted on the Shanghai Stock Exchange in the first trading week of 2016 triggered ripple effects to equities markets around the world, causing gold's first price rally. Turmoil in European markets in the latter months further instigated capital flight into the precious metal. The Brexit vote for example, saw gold price reach a 2-year high of \$1,361 t/oz, as investors sought a hedge against the pending economic and financial uncertainty. The price of the precious metal however faced significant contractionary pressures from investor expectations of a US interest rate hike. A US interest rate hike dampens gold's safe haven appeal, in favour of interest bearing securities, consequently placing downward pressure on gold price. The market began building this interest rate hike into gold price from November, such that the actual 25 basis point hike on December 15th had little impact to the ongoing downward trend. Gold price closed 2016 on a slightly higher level at \$1,160.50 t/oz, lifted by a weakening dollar, which generally favours gold's safe haven appeal.

We expect renewed downward pressure on gold price in 2017. Expectations for further interest rate hikes are firming up following indications of at least 3 future hikes by the US Fed Chair, Janet Yellen. On the other hand, the ongoing uncertainty in the EU stemming from 2 pending elections in Germany and France and a Brexit process that is yet to fully materialize could increase bullion's safe haven appeal and boost gold price. Thus, we anticipate gold price to range between \$1,050 t/oz and \$1,300 t/oz in the year ahead.

COCOA – Bumper Harvest Views Drives Cocoa Price Lower

The market was predominately bearish on cocoa in 2016, as investors held firm the perception of a bumper harvest for the 2016/17 season, coupled with weak global demand. Cocoa price closed at \$2,165/mt and year to date, the commodity is down 33%. Slow economic growth, particularly in Asian countries, caused global chocolate demand to stagnate, leaving supply side factors to determine cocoa price.

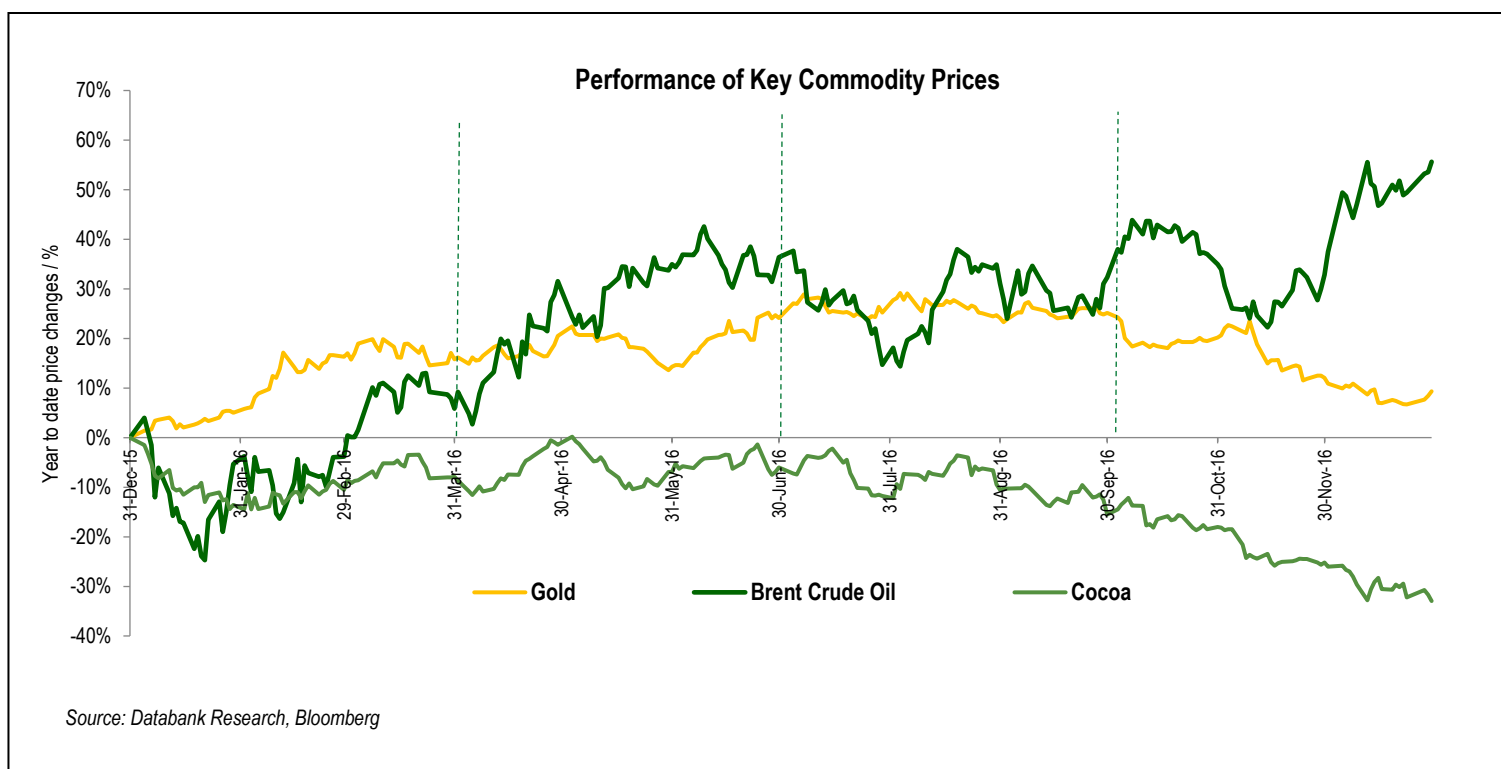
Early rains in Q1-2016 resulted in an output rebound across the top growing West African region, allaying fears of a shortfall. Thereafter, favourable weather conditions persisted even through to December, where the harsh harmattan winds typically inflict the most damage to the crop. For these reasons, cocoa arrivals at ports in Ivory Coast totaled 783,000 tonnes by Dec 25th 2016, up 8.15% over the same period in 2015, firming up expectations of a bumper harvest this season. Cocoa price consequently continued the downward trend for the most part of 2016, barely crossing the \$3000/mt threshold. The commodity was intermittently lifted by security concerns at various points during 2016. Militant attacks along the coast of Ivory Coast prompted fears of delayed transport of cocoa to ports, thus driving up the price. Overall, the combination of favourable weather conditions and stagnated demand resulted in the poor performance of the price of cocoa in 2016.

We anticipate sustained downward pressure on the price of cocoa in 2017, driven by persistent favourable weather patterns which supports the positive outlook for global supply for the 2016/17 season. With no indication of significant changes to cocoa demand, we expect supply side factors to maintain its hold on determining cocoa price. Therefore, we project cocoa price to range between \$2,350/mt and \$2,050/mt in 2017.

Return Analysis Table for Key Commodities as at FY-2016

	Commodity	Unit	Price (\$)	YTD Abs Change	%YTD Chg
Metals	Gold	\$/t oz.	1,160.50	99.10	9.3%
	Aluminium	\$/MT	1,679.00	151.00	9.9%
	Copper	\$/lb	2.50	0.36	16.6%
Energy	Crude Oil WTI	\$/bbl	54.00	17.26	47.0%
	Brent Crude Oil	\$/bbl	57.13	20.42	55.6%
	Natural Gas	\$/mmbtu	3.82	1.50	64.7%
Agriculture	Cocoa	\$/mt	2,165.00	-1,064.00	-33.0%
	Coffee	\$/lb	135.45	11.80	9.5%
	Sugar	\$/lb	0.19	0.04	28.1%
	Corn	\$/bu	3.49	-0.10	-2.9%
	Cotton	\$/bu	71.01	7.18	11.2%

Q/Q: Quarter on Quarter, Abs Chg: Absolute change, YTD: year to date
Sources: Bloomberg, Databank Research



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