



## **TRINIDAD AND TOBAGO SECURITIES AND EXCHANGE COMMISSION**

### **MARKET ACTIVITY REPORT**

**April 2010**

#### **Economic Outlook**

The local economy has begun to show tentative signs of a recovery amidst improved conditions in the energy sector. According to economic statistics contained in the Central Bank's Monetary Policy Report, which was released on April 15, 2010, real GDP increased by 0.8 percent (year-on-year) in the last quarter of 2009 compared to a 5.6 percent (year-on-year) decline in the third quarter. This expansion followed four (4) consecutive quarters of negative growth. Despite the improvement in economic activity in the energy the economy is still weighed down by persistent weakness in domestic demand as evidence by a contraction in consumer and business credit demand. The Bank however, remained cautiously optimistic about future economic prospects and has projected a positive growth in real GDP of 2.0 percent in 2010 on the basis of a pick-up in export and private demand.

In a later release dated April 23<sup>rd</sup>, 2010 the Central Bank indicated that headline inflation rose to 5.1 percent in March from 4.8 percent a month earlier. The Central Bank has recognized that the combination of unfavourable weather conditions and weak domestic demand has created uncertainty in gauging the inflation outlook and has maintained the repo rate at 5.0 percent.

## Market Performance

The domestic stock market continued its upward trend as the Trinidad and Tobago Stock Exchange (TTSE) Composite Index advanced by 0.9 percent in April to bring its year-to-date increase to 7.89 percent. This rally which first emerged in early January has helped erase much of the decline in the TTSE Composite Index that occurred in the latter part of 2009.

**Figure 1:**  
**Twelve (12) Month Performance of the TTSE Composite Index**



Over the last twelve (12) months the TTSE Composite Index posted an overall increase of 2.41 percent. The rally is still in its nascent stage and it is still too soon to gauge whether this bullish trend would continue in the medium term. However, the stock market is likely to benefit from the improved prospects in the domestic economy which should boost investor sentiment. In addition, the poor performance of fixed income securities in particular government bonds and treasury bills may provide a boost to local equities.

## Trading Activity

There was a marked decline in trading activity in April compared to the previous month. The trading volume fell by 46 percent while the value of shares traded fell by \$84.4 million or 67 percent during the month. Despite the fall-off in trading on the Exchange during the month of April as compared to March, activity on the Exchange was consistent with the levels witnessed since January 2010. As such it can be inferred that the period of heightened trading activity witnessed in March was more of an anomaly and did not indicate a future trend.

The current trading volumes remained considerably higher than the levels seen a year ago although there was a noticeable decline in the trading values which fell by \$55.7 million or 56.5 percent from the same period in 2009. This apparent anomaly can be attributed to the influence of low-priced Jamaican cross-listed companies which have dominated traded activity in the current period.

**Table 1: Monthly and yearly comparison of trading volumes and values: April 2010**

	<b>March 2010</b>	<b>April 2010</b>	<b>April 2009</b>	<b>Month to Month Change</b>	<b>Year-on-year Change</b>
Volume of Trading	11,610,388	6,273,144	2,809,590	(5,337,244) (46%)	3, 463,554 123.3%
Value of Trading (\$)	129,245,873	42,806,083	98,517,139	(86,439,790) (66.9%)	(55, 711, 056) (56.5%)
Average Daily Volume	527,745	298,721	147,873	(229,024) (43.4%)	150, 848 102%
Average Daily Value (\$)	5,874,812	2,038,385	5,185,112	(3,836,427) (65.3%)	(3, 146, 727) (60.7%)

It should be noted that the increase in trading volumes exhibited in the month of April was concentrated within a small segment of the listed companies on the Exchange. Trading in six (6) shares accounted for almost 85 percent of trading activity amongst all listed securities.

### **Performance of Cross Listed Companies**

The performance of the cross listed companies exceeded that of locally domiciled companies on the Exchange as reflected in the Cross Listed Index which rose by 2.11 percent as compared to the 0.33 percent increase in the All T&T Index. The Jamaican domiciled companies led the advances among the cross-listed segment and were also amongst the top performers on the Exchange. It can be argued therefore that the Jamaican cross-listed companies in particular have impacted the direction of the market and the level of trading activity on the Exchange; this development underscores the interlink amongst the regional Exchanges.

### **Bond Market**

#### Primary Bond Market

There was one bond issue on the primary bond market during the month of April. This bond issue involved a Government of Trinidad and Tobago TT\$794 million<sup>1</sup> 13-year bond with a coupon rate of 5.95 percent per annum. The bond which was issued on April 20<sup>th</sup> was oversubscribed and consequently sold at a premium with a yield of 5.75 percent.

#### Secondary Bond Market

The secondary bond market was exceptionally buoyant in the month of April despite the dearth of activity on the primary market. There were a total of twenty (20) trades on the market which accounted for a total value of \$317.5 million, more than triple the level seen in the previous month. The bulk of this activity occurred on April 23<sup>rd</sup> and was

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<sup>1</sup> This bond issue was already recorded in the last Market Activity Report for the month of March 2010.

based on the 13-year GORTT TT\$794 bond which was issued just three (3) days previous, on April 20, 2010.

For the year to date there were a total of thirty-one (31) trades on the secondary market for a cumulative value of \$1.3 billion. This compared favourably to trading for the same period in 2009 during which the secondary market recorded a total of twelve (12) trades and an aggregate trading value of \$39.5 million.

## **Key Institutional Developments**

### **Trinidad and Tobago**

#### **Cemex maintains its TCL shareholding**

In a shareholders advisory dated April 9<sup>th</sup>, 2010, the Trinidad Cement Limited (TCL) informed investors that CEMEX had chosen to maintain its 20 percent shareholding in the company. In a previous advisory dated February 6<sup>th</sup>, 2009 TCL had notified shareholders of CEMEX's intention to dispose of its TCL shareholding as part of a debt restructuring programme.

#### **Increase in the price band on the TTSE**

In a press release dated April 14<sup>th</sup>, 2010 the TTSE announced that effective April 19<sup>th</sup>, 2010, the price band on securities traded on the Exchange would be increased from 10 percent to 15 percent in accordance with an Order issued by the Trinidad and Tobago Securities and Exchange Commission (TTSEC) on April 9<sup>th</sup>, 2010.

## **Regional Developments**

### **The Jamaican Stock Market**

The Jamaican stock market remained relatively buoyant in April as the JSE market index gained 2.63 percent. This overall market performance was lower than the previous month's 7.86 percent increase. This latter positive performance may have been a one off event as the market reacted to the upgrading of Jamaican debt by Moodys' rating agency.

The market rose precipitously during the last three weeks of the month by 3 percent before dipping slightly on the last two trading days.

**Figure 2:  
Twelve Month Performance of the JSE Market Index**



Trading volumes, however, plunged 72.5 percent during the month further indicating that the buoyancy in trading volumes experienced in the previous month may have been a one off event. A twelve month review indicated that the Jamaican stock market has staged an incipient recovery from its bearish sentiments between January and March as the JSE market index has gained 10.81 percent over the period (see **Figure 2 above**). This upward trend in the JSE market index may be an indication that Jamaican investors are slowly regaining confidence in the market.

## The Barbados Stock Market

The overall performance of the Barbadian stock market, as measured by the BSE composite index, continued to weaken as the index fell by a marginal 0.48 percent during the month of April. This was an improvement, however, when compared to the previous month when the index registered a 1.54 decline in its overall performance.

**Figure 3**  
**Twelve Month Performance of the BSE Index**



This has brought the overall decline of the market over the last twelve months to 13.38 percent (see **Figure 3** above). After four periods of declining economic growth, there are some signs of economic improvement in the first quarter of 2010 as GDP declined by a negligible 0.1 percent. A continuance of improved economic conditions may influence the Barbadian investors to once again approach the stock market with cautious optimism.

## International Developments

Global equity markets slid amidst the worsening of the Greek credit crisis and renewed fears of a contagion to other countries in the Euro zone. These fears were triggered by two (2) recent downgrades in the Eurozone - Greek's sovereign bonds were downgraded to 'junk status' (BB-) and Portugal's government debt to AA- by international credit agency Standard and Poor's. News of the downgrades dragged down global equities markets. With the exception of the Dow Jones and the BSE Sensex the major international indices remained in negative territory at the end of April. The worst performance was recorded in the emerging markets, with the Shanghai Composite declining by 7.67 percent and the Bovespa by 4.4 percent. Despite the threat to the Eurozone, the Dax recorded the smallest decline of 0.29 percent (the Nikkei recorded a similar decline) followed by the FTSE 100, which declined by 2.23 percent.

**Table 2: Performance of Major Market Indices**

<b>Market Indices</b>	<b>Percentage Change April 2010</b>	<b>Percentage Change Year-to-Date</b>
Dow Jones Industrial Average (US)	1.40	5.57
Nikkei 225 (Japan)	(0.29)	4.84
FTSE 100 (London)	(2.23)	2.59
Dax (Germany)	(0.29)	2.99
Bovespa (Brazil)	(4.4)	(1.54)
Shanghai Composite (China)	(7.67)	(12.41)
BSE Sensex (India)	0.18	0.54