



## TRINIDAD AND TOBAGO SECURITIES AND EXCHANGE COMMISSION

### MARKET ACTIVITY REPORT

April 2012

#### **Economic Overview**

In its April Repo Rate announcement the Central Bank of Trinidad and Tobago revealed that the rate of headline inflation dipped in March 2012 to 9.1 percent. The level of inflation in the economy has been stable over the last month following a spike in February 2012 where the inflation rate jumped to 9.2 percent from 6.8 percent in January 2012.

Despite the overall increase in the inflation rate, which has been driven mainly by food prices, the level of domestic demand in the economy remains relatively subdued as evidenced by the slow recovery of borrowing activity by the private sector. Statistics from the Central Bank also revealed that credit to the private sector increased by only 2.3 percent (year-on-year) in February 2012, down from 3.4 percent (year-on-year) in January 2012. This decline in private sector credit was driven by a slowdown in business lending which increased by only 2.8 percent (year-on-year) in February 2012 following an increase of 5.7 percent in January 2012.

Given the rather anemic growth in credit to the private sector the domestic financial system remains highly liquid; even in spite of the recent liquidity absorption measures adopted by the Central Bank to contain this excess liquidity<sup>1</sup>. Commercial banks' excess reserves at the Central Bank averaged TT\$3.5 billion daily in the first three and a half weeks of April 2012 compared with TT\$1.1 billion a year ago in April 2011. Within this highly liquid environment short-term interest rates remains at near historic lows: the yields on three (3) month treasury bills measured

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<sup>1</sup> As already mentioned in the Market Activity Report for March 2012, the Central Bank withdrew TT\$1.5 billion through voluntary deposits by commercial banks on March 16, 2012

0.10 percent in April 2012, significantly lower than the prevailing rate of 0.47 percent in April 2011.

In light of the relatively subdued level of private sector demand the Central Bank kept the repo rate unchanged at 3.00 percent.

### **Stock Market Performance**

The domestic stock market continued on a downward path in the month of April 2012 as the TTSE Composite Index fell by 0.38 percent to close at 1007.79 on April 30, 2012. The market was relatively flat during the month save for a brief period of volatility on April 24, 2012 when the TTSE Composite Index experienced a loss of 0.47 percent.

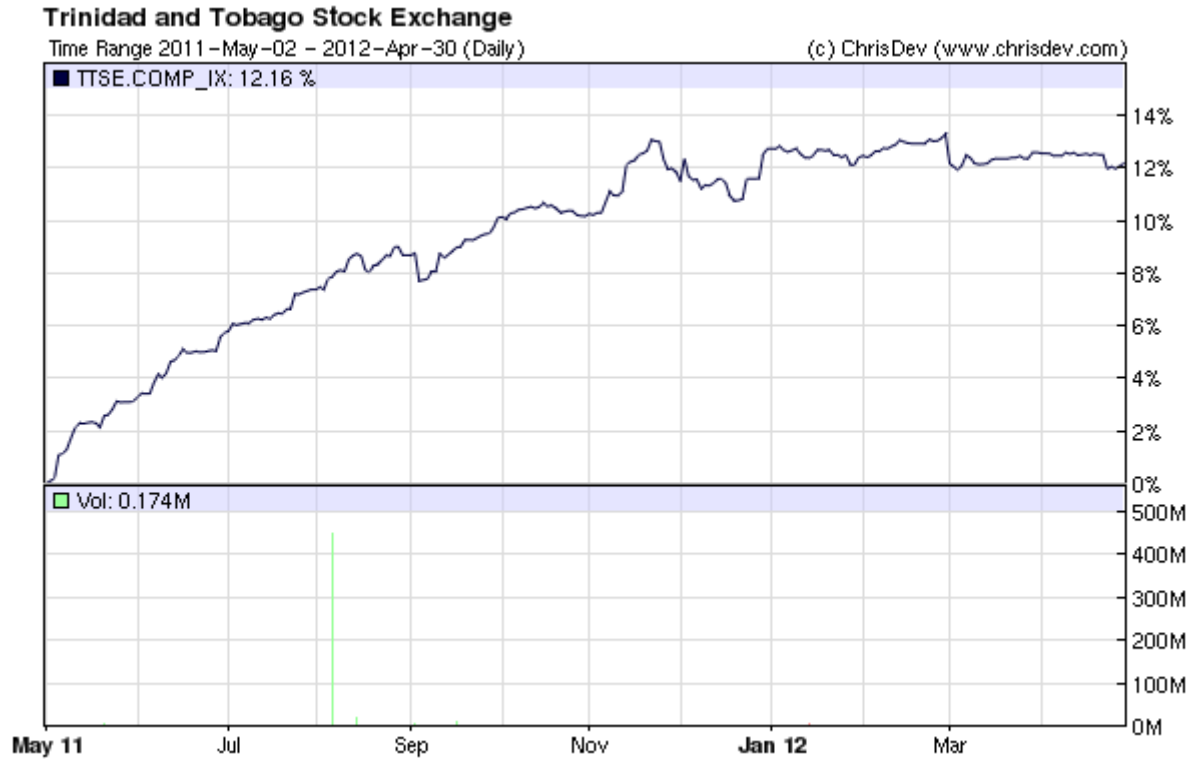
The advance/decline ratio of listed companies on the Exchange further underscored the bearish sentiment in the stock market over the month. While there were slightly more advances than declines over the period, most of the stocks remained unchanged: nine (9) stocks declined, eleven (11) increased and twelve (12) stocks remained unchanged.

The Property and Conglomerates sectors were the best performing sectors for the month of April 2012 with overall increases of 3.37 percent and 1.42 percent respectively while the Trading and Non-Banking Finance sectors performed the worst with overall declines of 2.56 percent and 2.15 percent respectively. The five (5) best and worst performing individual stocks are shown in **Tables 1&2**.

Consistent with the previous month the decline in the TTSE Composite Index was influenced in large part by the poor performance of cross-listed securities on the Exchange. The Cross-Listed Index declined by 1.55 percent over the month of April 2012 whereas the All T&T Index, which reflects price movements in locally domiciled stocks, experienced a moderate increase of 0.12 percent for the same period. Also, regional cross-listed stocks accounted for three (3) of the five (5) worst performing stocks on the Exchange for the month of April 2012.

The sluggish performance of the stock market occurred within the context of a sluggish recovery in private sector credit, itself an indicator of low levels of confidence in the economy.

**Figure 1: TTSE Composite Index for the period May 2011 to April 2012**



**Table 1: Top five (5) performing stocks for April 2012**

	<b>Security</b>	<b>Closing Price (\$)</b>	<b>Monthly Change (\$)</b>	<b>Monthly Change (%)</b>
1	National Flour Mills Limited	0.70	0.05	7.69
2.	Scotia Investments Jamaica Limited	2.40	0.15	6.67
3.	Point Lisas Industrial Port Development Company	4.60	0.15	3.37
4.	Scotiabank Trinidad and Tobago Limited	55.24	1.74	3.25
5.	Neal and Massy Holdings Limited	46.25	1.26	2.80

**Table 2: Worst five (5) performing stocks for April 2012**

	<b>Security</b>	<b>Closing Price</b>	<b>Monthly Change (\$)</b>	<b>Monthly Change (%)</b>
1	Supreme Ventures Limited	0.14	(0.02)	(12.50)
2.	National Commercial Bank Jamaica Limited	1.95	(0.14)	(6.70)
3.	Angostura Holdings Limited	8.50	(0.50)	(5.56)
4.	National Enterprises Limited	14.14	(0.64)	(4.33)
5.	Sagicor Financial Corporation	7.50	(0.30)	(3.85)

### **Trading Activity**

There was a marked decline in trading activity on the Exchange for the month of April 2012. The cumulative value of trades on the Exchange during the month fell by 39 percent from the previous month. The decline in the volume of trading activity was less pronounced as there was only a moderate decline of 8 percent in the aggregate volume of the trades. The decline in aggregate trading values can be attributed to the sharp fall-off in trading in the Republic Bank Limited (RBL) share from the previous month: there was heightened trading activity in the RBL share in March 2012 largely on account of trading in Employee Stock Option Plans (ESOPs) which accounted for the bulk of aggregate trading on the Exchange. The value of RBL shares traded declined from TT\$41.97 million in March 2012 to TT\$7.79 million in April 2012.

The volume and value of trading activity on the Exchange was 38 percent and 63 percent lower than in the comparable period in 2011 (See **Table 3**).

**Table 3: Monthly and Yearly Comparison of Trading Values and Volume: April 2012**

Volume/ Value	March-12	April-12	April-11	MOM change (\$)	MOM % change	YOY Change (\$)	YOY % change
Volume of Trading	5,285,010	4, 858, 171	7,850,935	(426,839)	(8)	(2,992,764)	(38)
Value of Trading (\$)	102,628,810	62,809,819	170,745,225	(39, 818,991)	(39)	(107,935,40)	(63)
Average Daily Volume	251,667	255, 693	413, 207	4, 026	2	(157,514)	38
Average Daily Value (\$)	4,887,086	3,305,779	8,986,590	(1,581,306)	(33)	(5,680,811)	(63)

**Bond Market Activity****Primary Bond Market**

There were no issues in the primary bond market during the month of April 2012, and for the year to date. During the comparable four (4) month period in 2011 there were two (2) bond issues registered with the Commission for a cumulative value of TT\$2,335,900,000.00.

**Secondary GORTT Bond Market**

There was a marked pick-up in the volume of trades on the secondary market for GORTT bonds for the month of April 2012. The number of trades increased to ten (10) in April 2012 compared to three (3) in the previous month. However, the value of trades was 87.07 percent lower than in the previous month: the value of trades declined from TT\$43,648,300.00 in March 2012 to TT\$5,643,748.50 in April 2012.

Despite the absence of primary bond issues for the year to date trading activity on the secondary market during this period was considerably high compared to a year ago: the cumulative value of trades for the five (5) months to April 2012, which amounted to TT\$217,489,748.50, was more than double the value recorded for the comparable period in 2011, which was TT\$85,923,860.00.

This spike can be attributed to the heightened trading activity experienced in January 2012 which amounted to TT\$168,095,700.00.

## Regional Developments

### Jamaica Stock Market

The performance of the Jamaican stock market improved marginally in April 2012 as the JSE Market Index advanced by 0.10 percent. Notwithstanding the positive performance for the month of April 2012 the market remains in negative territory with a decline of 4.03 percent for the year to date. Consistent with the bearish sentiment in the Jamaican equity market, twenty one (21) stocks experienced price declines, thirteen (13) stocks advanced and two (2) stocks traded firm.

Despite the relatively stable foreign exchange and interest rate market Jamaican equities have been performing rather poorly. This has been largely due to uncertainties over the strength of the country's economic recovery and most recently due to measures to be announced in the Government's upcoming budget for the 2012/2013 fiscal year.

**Figure 2: JSE Market Performance of the JSE Market Index: May 2011 to April 2012**



## Barbados Stock Market

Following a small improvement in March 2012 the Barbados stock market slipped back into negative territory in April 2012 with the Barbados Composite Index declining by 1.17 percent to close at 717.47. Like its regional counterparts in Trinidad and Tobago and Jamaica, the Barbados stock market has performed poorly for the year with the Index down 0.64 percent for the year to date. The advance/decline ratio for listed securities during the month further underscores the bearish sentiment for Barbadian equities: sixteen (16) stocks remained unchanged, seven (7) declined and only one (1) increased in price.

**Figure 3: Performance of the BSE Composite Index: May 2011 to April 2012**



## International Developments

Global equity markets were down in April 2012 as signs of a slowing United States (U.S.) economy and a recession in Spain renewed investor concerns over the pace of the global economic recovery. The Dow Jones just barely ended the month in positive territory with a marginal gain of 0.01 percent while the major stock indices across both developed and emerging

markets (with the exception of China) experienced losses for the month of April 2012. China's SSE Composite Index increased 5.90 percent for the month, the best performance among the major indices. Japan's Nikkei suffered the greatest decline for the month, falling 5.58 percent. Among emerging market indices, Brazil's IBovespa was the worst performer, falling 4.17 percent for the month of April (See Table 5).

Notwithstanding the increase in the Dow Jones in April 2012 investor sentiment in the U.S. stock markets was weighed by negative economic reports which indicated a slowdown in economic activity particularly in the manufacturing sector: there was a sharper-than-expected decline in manufacturing activity in Chicago in April 2012.

Investor sentiment in the U.S and other global equity markets were also significantly impacted by economic developments arising from Europe, which is still suffering from the effects of the global financial crisis. Evidence of this fallout was seen in Spain which slumped back into recession in the first quarter of 2012 during which the country's gross domestic product (GDP) shrank by 0.3 percent following a similar decline in the last quarter in 2011. Spain also experienced a series of credit downgrades by Standard & Poor's which lowered its long-term sovereign credit rating from A to BBB+, while its short-term rating was cut from A-2 to A-1 on April 2012.

**Table 5: Performance of Major International Stock Market Indices.**

<b>Market Indices</b>	<b>% Change March 2012</b>	<b>% Change April 2012</b>	<b>% Change for the Year-to-date</b>
Dow Jones Industrial Average (US)	1.79	0.01	8.15
Nikkei 225 (Japan)	3.88	-5.58	12.60
FTSE 100 (UK)	-2.74	-0.53	3.00
Dax (Germany)	0.07	-2.67	14.62
IBovespa (Brazil)	-3.44	-4.17	8.92
SSE Composite Index ( China)	-6.73	5.90	8.95