



Trinidad and Tobago Securities and Exchange Commission

Market Activity Report- February 2011

Economic Overview

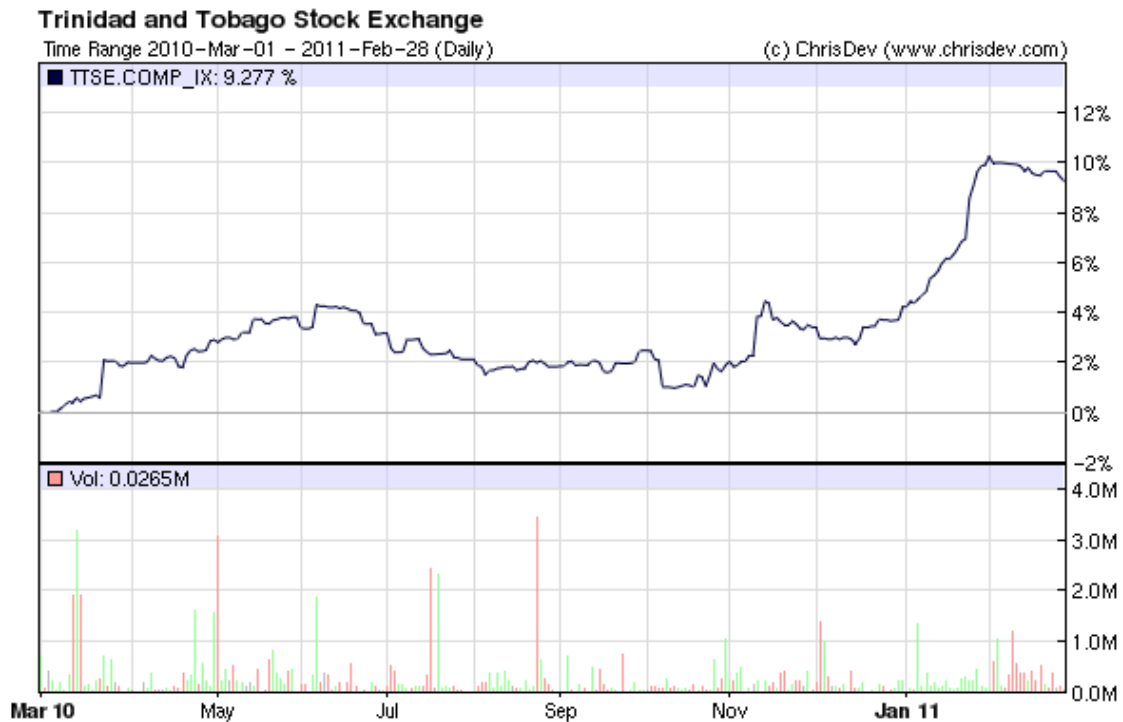
In a Media Release, dated February 25, 2011, the Central Bank reported that the rate of headline inflation slowed to 12.5 percent in the twelve-months to January 2011 from 13.4 percent in December 2010. The Central Bank further noted that the more subdued inflationary environment was consistent with the 'subdued demand conditions' in the economy as reflected by the protracted decline in private sector demand and the weak recovery in the non-energy sector. Despite the sluggish performance of the economy, however, consumer demand has begun to pick-up: consumer credit rose by 4.2 percent in the twelve-months to December 2010 from 1.0 percent (year-on-year) in November 2010. The Central Bank has further noted the increase in shorter-term interest rates on the three-month and six-month treasury bills as a result of the 'tighter liquidity environment' stemming from the slowdown in fiscal injections coupled with the measures implemented by the Central Bank to mop-up the excess liquidity in the financial system.

The recovery in consumer demand can bode well for the local capital market and the stock market in particular, especially if investors' optimism about the economic outlook translates into an increased demand for equities. The more favourable returns on short-term fixed income instruments could also serve to attract investors back into the fixed-income market.

The Central Bank has decided to reduce the 'Repo' rate by 25 basis points to 3.25 per cent in order to support the recovery of the non-energy sector.

Market Performance

Figure 1
Twelve Month Performance of the TTSE Composite Index: March 1st 2010 – February 28th, 2011.



After beginning the year on a positive footing the local stock market retreated in February as the TTSE Composite Index declined by 0.57 percent to close at 876.19 on February 28, 2011. The market's performance in February has tempered the market rally which gained momentum in the fourth quarter of 2010. During the month of February the market was down for fourteen (14) of the twenty (20) trading days, a testament of the bearish mood of investors. However, stock prices still remained 9.33 percent higher compared to a year ago when the TTSE Composite Index closed at 801.37 on February 26, 2010. It is too soon to determine whether the market rally has bottomed-out especially as the outlook for equities remain uncertain. The recent trend of higher rates of return on short-term fixed income instruments may negatively impact investor demand for stocks in the near-term. However, the stock market is likely to benefit from a more sustainable recovery in consumer demand and improved economic prospects domestically.

Performance of Cross Listed Companies

The regional cross-listed stocks continued to underperform their local counterparts despite the more favourable performance of the market indices in Barbados and Jamaica compared to Trinidad. The TTSE Composite Index declined by 0.57 percent in the month of February compared to the Index of locally-domiciled stocks, the All T&T Index, which recorded a marginal decline of 0.09 percent.

Trading Activity

Despite the bearish mood of the market trading activity on the Exchange still remained buoyant in the month of February 2011. The trading volumes increased by 45 percent over the previous month while the values of shares trading on the Exchange more than doubled over the previous month with an increase of 121 percent.

Table 1: Monthly and yearly comparison of trading volumes and values: February 2011.

Volume/ Value	January 2011	February 2011	February 2010	Month to Month Change	Year-on-year Change
Volume of Trading	4,452,368	6,856,628	6,030,493	2,404,260 54%	826,135 13.7%
Value of Trading (\$)	46,196,916	102,133,635	59,010,650	55,936,719 121%	43,122,985 73%
Average Daily Volume	222,618	342,831	335,027	120,213 54%	7,804 2.33%
Average Daily Value (\$)	2,309,846	5,106,682	3,278,369	2,796,836 121%	1,828,313 55.77%

Bond Market Activity

Primary Bond Market

There was no activity on the primary bond market for the month of February 2011.

Secondary Bond Market

Trading activity on the secondary bond market remained anaemic in the month of February 2011. Despite an increase in the number of trades in February (from 4 in January to 8 in February), the volume and value of activity arising from these trades were comparatively lower than in January. Notably, the volume of trades declined six-fold from 65,000 in January to 10,709 in February which resulted in a corresponding decline in the value traded from TT\$65,000,000 to TT\$12,632,290 in February. The sluggish activity in the secondary market for bond issues can be viewed in the context of a rather dormant primary bond market which has seen virtually no new issuances in over five (5) months; the last bond issue occurred in September 2010 and involved a National Insurance Property Development Company Limited (NIPDEC) bond valued at \$360 million.

Regional

Jamaica Stock Market

The JSE Market Index advanced by 0.86 percent in the month of February 2011 following a decline in the previous month of 0.49 percent. Jamaican equities continued to struggle despite the low interest rate environment and high levels of liquidity prevailing in the financial system. For the year to date, the Jamaican equity index posted a marginal increase of 0.69 percent consistent with its fourth quarter performance of 1.92 percent in 2010. Trading activity on the Jamaican Exchange slowed considerably as the volume of shares traded in the month of February declined by 35 percent from the previous month. Nonetheless, the value of shares traded increased by 28.5 percent in February on smaller trading volumes. The comparatively lower trading values in January was due to the dominance of the low priced stock, Cable & Wireless Jamaica Limited

(J\$0.27), which accounted for 54.72 percent of the aggregate trading volumes on the Jamaica Exchange in January 2011.

Figure 2:

Performance of the JSE Market Index – March 1st, 2010 to February 28th 2011

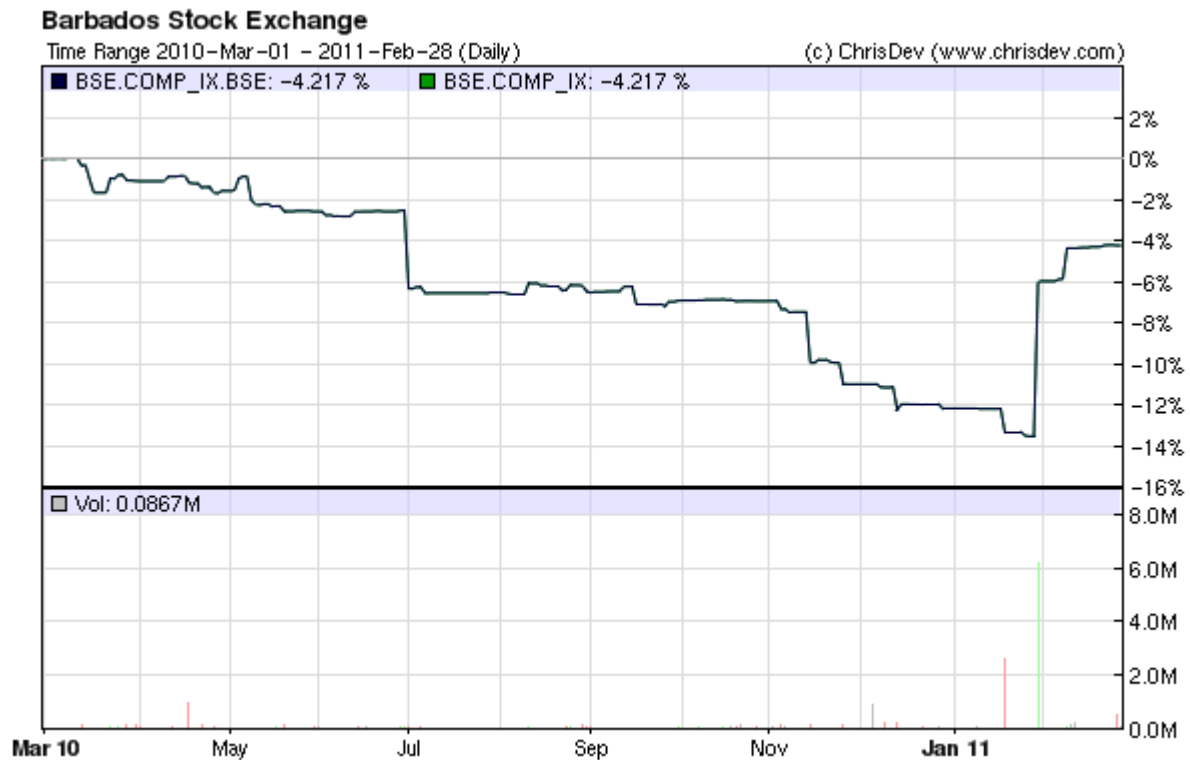


Barbados Stock Market

The Barbados Stock Exchange (BSE) Composite Index recorded its second consecutive monthly gain, increasing by 1.89 percent during the month of February 2011 to close at 736.35. Most of this increase occurred on a single trading day, February 9th, 2011, when the Composite Index advanced by 1.6 percent to close at 735.29. The market remained flat for the remainder of the month. Following the unusual high trading levels on the Barbados Exchange in January, trading resumed to relatively normal levels as the aggregate trading volumes and values declined by 84.62 percent and 87.18 percent respectively. There was no trading activity recorded for the majority of shares on the Exchange with the bulk of trading occurring in one stock: Light and Power Holding Limited. Trading activity in this share was in relation to the offer made by Emera

(Barbados) Holdings No.2 to acquire the remaining shares of Light and Power Holdings Limited¹.

Figure 3
Performance of the BSE Composite Index – March 1st 2010 – February 28th 2011



¹ The offer price for Light and Power Holding Limited was Bds \$25.70 (TT\$77.10) a significant premium over the last closing price for the share: Bds \$12 (TT\$36.00) on December 20, 2010.

International Developments

Global stock markets have been resilient in the face of growing tensions in the Middle East. The major international market indices rose in February 2011 despite a heavy sell-off of stocks during the latter part of the month on investor concerns that the geopolitical turmoil in Libya and the Middle East would disrupt oil supplies and threaten the global economic recovery. Prior to the escalation in the political tensions global markets had soared to fresh highs during the earlier part of February as strong corporate earnings and merger activity worldwide boosted investor optimism over the global economic recovery. The developed markets, particularly in Europe and North America also benefited from investors shift away from emerging markets to developed markets on concerns over inflation. The Dow Jones Industrial Average posted a gain of 2.81 percent in February followed by Germany's Dax which increased by 2.75 percent. The Asian markets also fared well as China's Shanghai Composite and Japan's Nikkei Index reversed losses from the previous month to post the highest gains amongst the major international indices in February, 4.09 percent and 3.77 percent respectively; the Shanghai Composite Index benefited from a lower than expected inflation rate which eased investor concerns that China's Central Bank would have to tighten monetary policy more aggressively while the performance of the Nikkei's was bolstered by a weaker yen and strong corporate earnings. The performance of the emerging markets continued to underperform their developed counterparts (with the exception of China) as the India BSE Sensex declined by 2.75 percent while Brazil's Bovespa increased by 1.21 percent following a dismal performance in January 2011.

Table 2: Performance of Major Market Indices

Market Indices	Percentage Change February 2011	Percentage Change January 2011	Percentage Change Year-to- Date
Dow Jones Industrial Average (US)	2.81	2.64	5.60
Nikkei 225 (Japan)	3.77	(1.54)	3.86
FTSE 100 (London)	2.24	(2.51)	1.59
Dax (Germany)	2.75	1.54	5.18
Bovespa (Brazil)	1.21	(5.53)	(2.77)
SSE Composite Index (China)	4.09	(2.38)	3.45
BSE Sensex (India)	(2.75)	(10.68)	(13.09)