



Trinidad and Tobago Securities and Exchange Commission

Market Activity Report- January 2011

Economic Overview

Economic activity within the real sector continued to be sluggish as businesses continued to show restraint in engaging in new investment activity. Credit to businesses, year on year (YOY), declined 5.9 percent for the fifteenth consecutive month. Consumer demand for credit rose slightly by 1.1 percent and 1.5 percent (YOY) in the months of October and November, respectively. The increase in consumption may be attributed to the Christmas season as consumers borrowed to fund their Christmas purchases and home renovations for the season.

Inflationary pressures continued to plague the domestic economy in December 2010 as the Central Bank reported that the rate of inflation rose to 13.4 percent from 12.5 percent in October 2010. Volatility in food prices, both local and imported, continued to be the main driver of the rising rate of inflation. Despite this rising trend, the Central Bank has suggested that the rate of inflation may be reduced to 7-8 percent in 2011 on the expectation of a normalization in domestic agricultural output.

The excess liquidity within the financial system tightened as commercial banks' excess reserves fell to TT\$960 million in the month of January thereby increasing activity in the Central Bank's repo window. The tightened liquidity environment paved the way for a slight increase in the three month Treasury bill as it inched up to 0.41 percent in January from a low of 0.28 percent in October 2010.

The Central Statistical Office (CSO) estimated that the non energy sector declined by ten (10) percent during the period 2009-2010. The revival of this sector continued to be a concern for both monetary and fiscal authorities going forward in 2011. It is, however, the expectation that central government's budget initiatives may arrest some of the decline in the non energy sector and by extension aid in economic recovery. International oil and petrochemical prices are projected to be stronger in 2011 and with the creation of new productive capacity in the petrochemical industry, the Central Bank estimated that the energy sector value added will

increase by 3.2 percent for 2011. In light of these expectations, the Central Bank has projected a positive growth rate of two (2) percent in 2011 and reduced the repo rate to 3.5 percent. The signalling of the possibility of positive economic growth may serve to bolster investor confidence in the local capital market leading to an increase in stock market activity for 2011.

Market Performance

Figure 1
Twelve Month Performance of the TTSE Composite Index: February 1st 2010 – January 31st 2011



Performance on the local stock market improved significantly in the month of January as the TTSE Composite Index climbed 5.45 percent from its marginal increase (0.79 percent) in December 2010. This marked a noteworthy start to the New Year for the local stock market as the corresponding period in 2010 showed a marginal increase of 0.25 percent. There appeared to be a reversal of the bearish sentiments held by investors as Figure 1 illustrates an upward trend in the market from December to the present, with much of the increase occurring in January 2011. Over the twelve month period, February 2010 to January 2011, stock market prices climbed 14.21 percent reversing declines that were experienced during the same period in 2009-2010

(-9.66 percent) when the local economy was in a recession. In comparison to the regional stock exchanges, the TTSE Composite Index has outperformed both the JSE Market Index (13.42 percent) and the BSE Composite Index (-8.2 percent). It is suggested that the positive growth forecasted for the economy in 2011 by the CBTT coupled with the expected fiscal stimulus may have positively impacted investor confidence in the local stock market resulting in an incipient recovery of the market.

Trading Activity

Trading activity on the local stock market declined in January despite the upward movement in the stock prices on the Stock Exchange. Notably, the volume of trading on the Stock Exchange declined 10.16 percent reversing its upward trend started since October 2010. The monthly value of trading continued to fluctuate as it fell by 57.23 percent indicating that the number of shares traded and its corresponding value declined in comparison to the previous month.

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

Volume/ Value	December 2010	January 2011	January 2010	Month to Month Change	Year-on-year Change
Volume of Trading	4,956,207	4,452,368	7,916,818	(503,839) (10.16%)	(3,464,450) (43.76%)
Value of Trading (\$)	108,024,219	46,196,916	50,705,340	(61,827,303) (57.23%)	(4,508,424) (8.89%)
Average Daily Volume	225,282	222,618	395,841	(2,664) (1.18%)	(173,223) (43.76%)
Average Daily Value (\$)	4,910,192	2,309,846	2,535,267	(2,600,346) (53%)	(225,421) (8.89%)

Bond Market Activity

Primary Bond Market

The primary bond market remained dormant. There were no new bond issuances for the month of January 2011.

Secondary Bond Market

There was a pronounced decline in trading activity on the secondary bond market over the month of January 2011 (4 trades) compared to the previous month (18 trades). Despite the decline in the number of transactions, the volume of trades rose to 65,000 lots with a corresponding value of TT\$65 million. This represented a significant improvement when compared to the 1,080 lots traded at a corresponding value of TT\$939,097 in December 2010.

Regional

Jamaica Stock Market

Figure 2:

Performance of the JSE Market Index – February 1st, 2010 to January 31st 2011

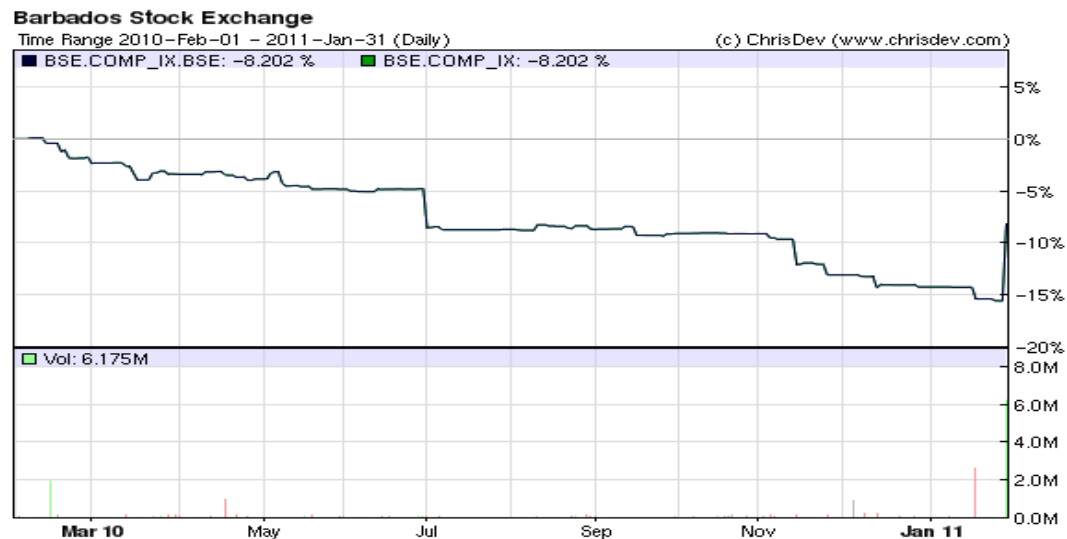


The JSE Market Index experienced a marginal decline in its performance as it fell 0.49 percent for the month of January 2011, reversing its minimal gain of 0.89 percent in December 2010.

Trading activity on the JSE appeared to have slowed during the month of January 2011 as the volume traded declined by ten (10) percent with the corresponding value traded falling by a drastic 74.01 percent. It is suggested that the shares that crossed the floor of the Exchange may not have been high priced shares which may have resulted in the significant fall off in the value of shares traded for the month. Despite the economic turmoil in Jamaica and the subsequent bail out package by the International Monetary Fund (IMF), in the twelve month period, February 2010 to January 2011, the market performed remarkably well as stock prices rose 13.42 percent during the period.

Barbados Stock Market

Figure 3
Performance of the BSE Composite Index – February 1st 2010 – January 31st 2011



The Barbados Composite Index experienced positive gains for the first time in several months as the Index rose 7.04 percent for the month of January from its decline of 1.31 percent in December 2010. A further breakdown of the trading activities for the month showed that the market was flat for the majority of the period, until the 31st when there was a steep increase in the Index. The volume of shares traded rose by 450 percent to nine (9) million whilst the corresponding value traded climbed by an astounding 2931 percent to 190 million. An analysis of the daily trading activities for the 31st revealed that the majority of the increase was on account of an increase in the share price of Light and Power Holding Limited from \$12/per share to \$25.70/per share; an increase of 114 percent. The stagnant economic environment on account

of steadily declining tax revenues, subdued outlooks for the tourism sector and a persistent fiscal deficit continued to dampen investor sentiments in the market.

International Developments

Performance across the major international markets was mixed for the month of January 2011. The Dow Jones Industrial Average rose 2.64 percent, its first January gain in four (4) years and its best January performance since 1997. US stock prices were bolstered by the release of positive economic data indicating an unexpected increase in both the index of manufacturing and consumer spending. The Asian markets did not perform as well as their North American counterparts as the major markets within the region experienced negative returns during the period. The BSE Sensex closed the month in its worst month performance since October 2008 as it fell 2.38 percent on account of rising inflationary concerns. The Nikkei, historically one of the best performing markets in the region, declined 1.54 percent as Standard & Poor's cut Japan's credit rating from AA to AA- and concerns grew over higher borrowing costs for financial companies. The rising unrest in Egypt has negatively impacted investors' sentiment in London and Brazil as the FTSE and Bovespa closed 2.51 percent and 5.54 percent, respectively, at the end of January.

Table 2: Performance of Major Market Indices

Market Indices	Percentage Change January 2011	Percentage Change December 2010
Dow Jones Industrial Average (US)	2.64	2.86
Nikkei 225 (Japan)	(1.54)	2.41
FTSE 100 (London)	(2.51)	4.56
Dax (Germany)	1.54	0.69
Bovespa (Brazil)	(5.53)	(0.06)
SSE Composite Index (China)	(2.38)	(0.54)
BSE Sensex (India)	(10.68)	3.32