



Trinidad and Tobago Securities and Exchange Commission

Market Activity Report- June 2011

Economic Overview

Headline inflation (year on year), as measured by the Retail Price Index (RPI), continued to trend downwards as it declined to 3.9 percent in May 2011 from 6.4 percent in April. Headline inflation reflects the general movement of food prices which is considered to be the most volatile of prices in the basket of goods that constitutes the RPI. Information from the Central Statistical Office (CSO) showed that food inflation fell 680 basis points from the previous month to 8.2 percent in May. Core inflation, on the other hand remained constant at 1.3 percent (year on year).

The decline in private sector credit slowed to 0.8 percent (year on year) from the 2.3 percent that was recorded at the beginning of the year. Consumer credit and real estate mortgage lending components of private sector credit have continued to grow at fairly strong rates of 6.7 percent and 8.8 percent respectively, indicating increased activity in the home mortgage market. Business credit consumption, however, have continued to decline by 5.9 percent for its eighteenth consecutive month indicating a relatively subdued investment climate. The lack of real sector participation in the local capital market lends further support to the lack of capital expenditure by the real sector and by extension the sluggish investment climate.

Liquidity in the financial system declined by \$125 million on account of Central Bank's liquidity absorption methods. Net fiscal injections into economy have also slowed in recent months further aiding the Central Bank's efforts at reducing the excess liquidity in the financial system. The tightened liquidity conditions have resulted in an increase in short term interest rates as the yield on three month treasury bills rose to 0.98 percents in June 2011 from 0.68 percent in May. As a result of declining inflationary pressures and incipient credit recovery, the Central Bank has indicated that it would maintain the 'Repo' rate at 3.25 percent.

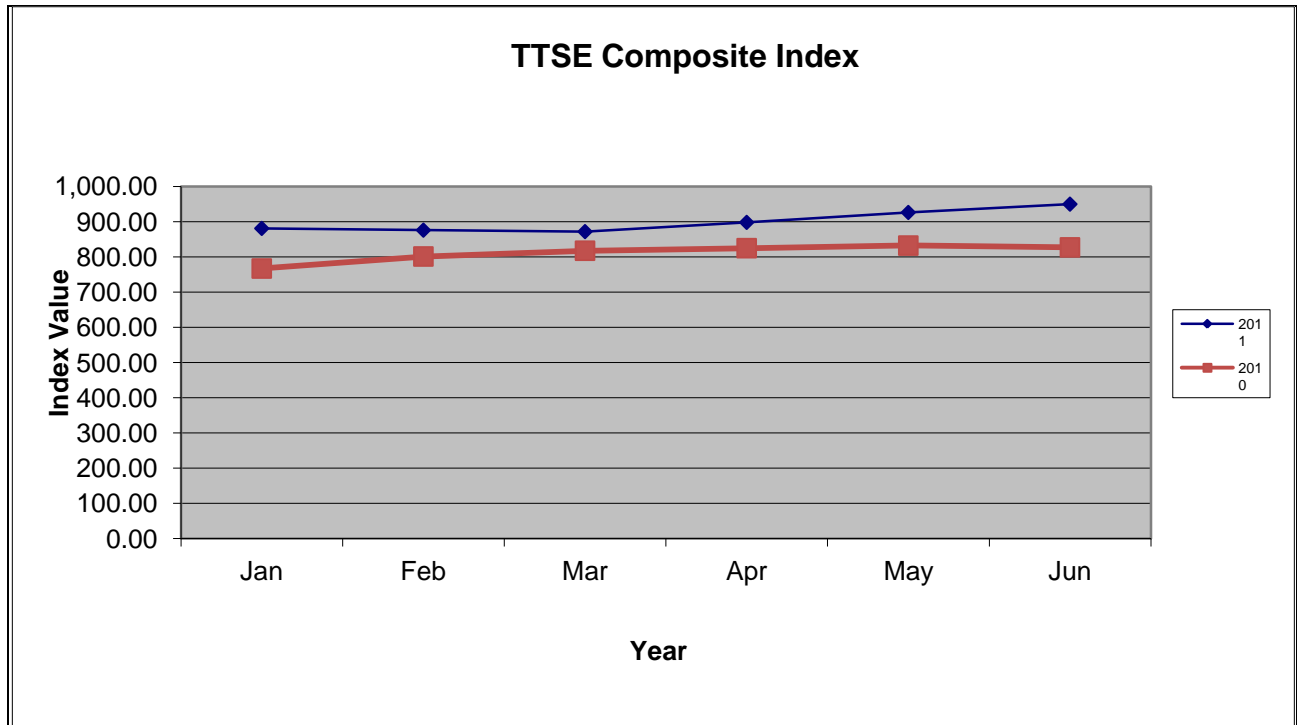
Stock Market Performance

Performance in the local stock market continued to gain momentum as the TTSE Composite Index advanced 2.55 percent to close at 950.09 points at the end of June 2011. In comparison to the same period in the previous year, the Index declined by a marginal 0.62 percent. In the six months to June 2011, the market advanced 8.95 percent. Figure 1 below illustrates that the market performed relatively higher in the six months to June 2011 when compared to the same period in 2010. This may be attributed to the prevailing low interest rate environment and the gradual return of market confidence to the stock market. Year on year, the market rallied 14.85 percent indicating increased price movement in the heavier weighted stocks in the Index. The TTSE Composite Index is a price weighted index implying that movements in the higher valued stocks can influence the movement of the Index. For the month ending June 2011, the property sector outperformed other sectors within the index as it advanced 11.36 percent in value. Year to date, the banking sector stocks¹ have outperformed the other sectors in the Index as it advanced 12.57 percent. This rally may have been the result of positive market sentiments as relatively good earnings were announced by the banking sector amidst a sluggish economy. For the month ending June 2011, the non banking finance sector² recorded the largest number of trades and volume, 275 and 2.9 million respectively. Capital & Credit Financial Group Limited was the volume leaders for the month ending June 2011 as it captured 28 percent of the market. In terms of value, Neal & Massy Holding Limited was the leader as it captured 31 percent of the market.

¹ The banking sector, as categorized by the TTSE, comprises five (5) stocks which are:- BCB Holding Limited, FCIB Limited, NCB Jamaica Limited, Republic Bank Limited and Scotiabank T&T.

² The non banking finance sector is comprised of seven (7) stocks which include:- ANSA Merchant Bank Limited, Capital an Credit Financial Group, Guardian Holding Limited, Jamaica Money Market Brokers Limited, National Enterprises Limited, Sagicor Financial Corporation and Scotia Investments Jamaica Limited.

Figure 1
Year to Date Performance of the TTSE Composite Index: January 2011 – June 2011



Source: Trinidad & Tobago Stock Exchange Monthly Trading Report

Performance of Cross Listed Companies

For the month ending June 2011, locally domiciled stocks continued to outperform its regional counterparts as the All T&T Index advanced 11.08 percent as compared to relatively small increase in the Cross Listed Index (1.02 percent).

Trading Activity

Trading activity on the local stock market was mixed as the value of trading rose by 19.3 percent whilst the volume of trading during the month of June 2011 declined sharply by 57.6 percent. However, year on year, the value of shares that crossed the exchange rose by 36.4 percent whilst the volume of shares traded increased by 37.6 percent.

Table 1: Monthly and Yearly Comparison of Trading Values and Volume:- June 2011

Volume/ Value	May-11	Jun-11	Jun-10	MOM change (\$)	MOM %change	YOY Change (\$)	YOY %change
Volume of Trading	16,320,603	6,916,824	5,026,002	-9,403,779	-57.6%	1,890,822	37.6%
Value of Trading (\$)	46,211,254.3	55,147,281.89	40,440,971.53	8,936,027.59	19.3%	14,706,310.36	36.4%
Average Daily Volume	816,030.15	345,841.20	251,300.1	(470,188.95)	(57.6%)	94,541.1	37.6%
Average Daily Value (\$)	2,200,536	2,757,364.09	1,925,761	556,828	25.30%	831,603	43.18%

Bond Market Activity

Primary Bond Market

There were no new issuances from either the public or private sectors for the month ending June 2011. For the six months to June 2011, there was minimal activity in the primary bond market as there was only one bond issuance from the public sector. This issuance was placed on the market in May 2011 by the National Insurance Property Development Company Limited (NIPDEC)³. This placement was oversubscribed by TT\$1.2 billion as the total amount of bids received were recorded at TT\$1.9 billion.

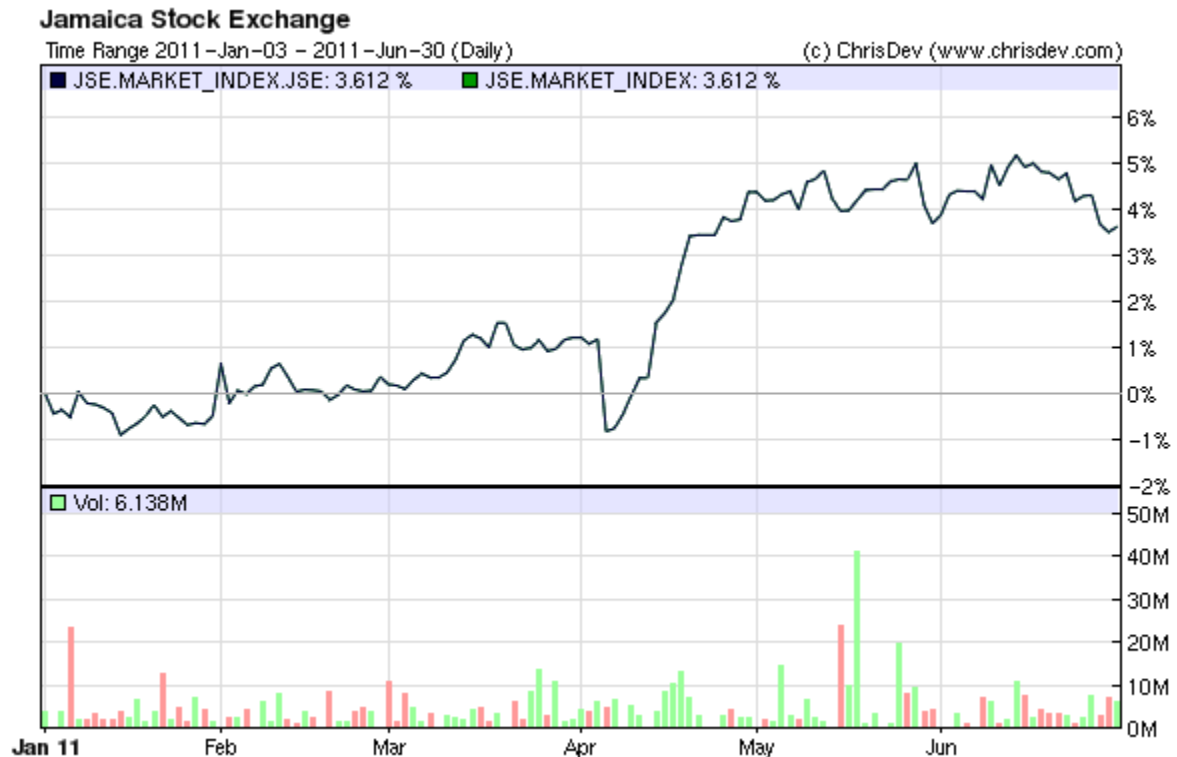
This oversubscription resulted in the bond being allotted to investors at a premium (TT\$103.30 per \$100 face value) and a yield to maturity of 6.25 percent. The oversubscription indicates the heightened appetite for bond issuances by investors and the lack of products to appease this demand. It is suggested that greater emphasis should be placed in encouraging both the private and public sector to utilize the capital market as a source of funding for their activities.

³ NIPDEC issued a TT\$750 million 19 year, 6.55% bond to the bond market on May 17th 2011.

Secondary Bond Market

Trading activity on the secondary bond market was markedly subdued as only one transaction was recorded during the month of June 2011, as compared to the twenty-four (24) that were transacted during the same period in 2010. The number of lots traded rose from 3,172 in May 2011 to 70,000 lots at the end of June 2011. Despite the increase in volume, the value of the lots traded declined by 97.8 percent from TT\$3.481 million in May to TT\$0.074 million at the end of June 2011. In the six months to Jun 2011, twenty-three (23) trades were recorded on the secondary bond market. This represents a 59.65 percent fall off in trading activity when compared to the same period in 2010. Trading on the secondary bond market has been mixed and no specific trend could be determined.

Figure 2: Year to Date Performance of the JSE Market Index: January 2011 – June 2011



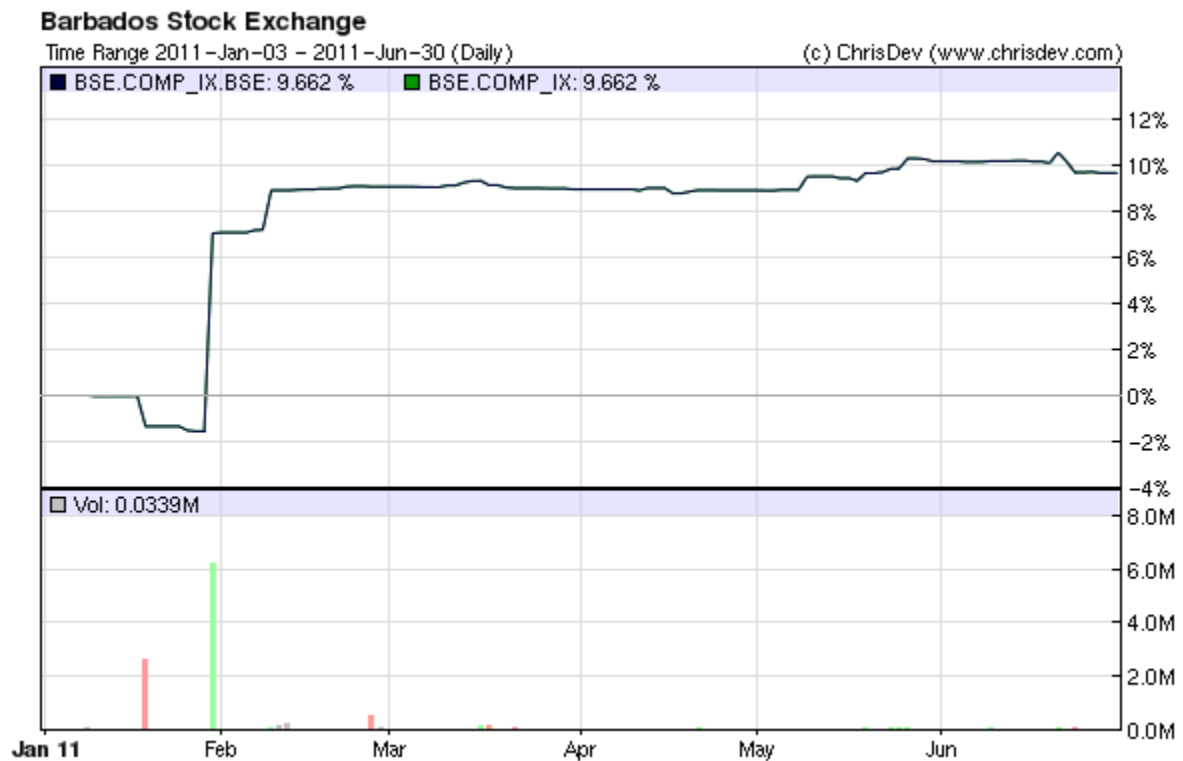
Jamaica Stock Market

The JSE Market Index registered a decline for the month of June, decreasing by 0.08 percent, closing the month at 88,584.96. This continued the decline experienced the previous month, when the Index decreased by 0.65 percent. There were eighteen (18) advancing and sixteen (16) declining stocks, with eight (8) trading firm. Year-to-date, the news was more positive, with the Index increasing by 3.612 percent. Though a positive performance, this was the worst performance among the regional markets.

Barbados Stock Market

The Barbados stock market, as measured by the BSE Composite Index, decreased 0.46 percent for the month of June. Year-to-date, the BSE Index increased 9.662 percent, the second best performance in the region, behind their Trinidad and Tobago counterpart. This also represented a considerable improvement over the previous year for the same period, when the stock market declined 4.66 percent.

Figure 3: Year to Date Performance of the BSE Composite Index: January – June 2011



International Developments

The performance of the major stock markets was mixed in June 2011. The Dow Jones Industrial Average declined by 1.01 percent during the month largely on concerns over the outlook for the U.S economy following the release of lower than expected employment data⁴ for May 2011 and a cut in the growth forecast for the U.S economy by the Federal Reserve⁵. Despite these concerns U.S stocks and other international equity markets rallied toward the end of June 2011 as investors' anxiety over the Greek debt crisis eased following the approval by the Greek Parliament of controversial and unpopular austerity measures (budget cuts and asset sales). It was widely anticipated that without the passage of this Greek austerity plan, which was a precondition for a European aid package, Greece would have defaulted on its debt-repayment obligations in July and August 2011.

Table 2: Performance of Major Market Indices

Market Indices	Percentage Change June 2011	Percentage Change May 2011	Percentage Change Year-to-Date
Dow Jones Industrial Average (US)	(1.01)	(1.88)	7.22
Nikkei 225 (Japan)	1.11	(2.72)	(5.18)
FTSE 100 (London)	(0.74)	(1.32)	0.78
Dax (Germany)	0.90	(3.66)	5.78
Bovespa (Brazil)	(3.42)	(2.27)	(9.96)
SSE Composite Index (China)	0.91	(1.88)	(2.23)
BSE Sensex (India)	1.72	(1.46)	(8.61)

⁴ Data from the Bureau of Labor Statistics showed that the private sector added 83,000 jobs in May, a marked slowdown from the 244,000 jobs averaged in the last three months ---[http: www.thestreet.com](http://www.thestreet.com)

⁵ On June 22, 1011 the U.S Federal Reserve estimated that the U.S economy would grow between between 2.7 percent and 2.9 percent this year, down from its April estimate of between 3.1 percent and 3.3 percent--- [http: www.cnbc.com](http://www.cnbc.com).

The Asian market indices, Japan and China exhibited a positive performance for the month of June as the Nikkei and Shanghai Composite Index increased by 0.91 and 1.11 percent respectively. The gains in the Asian equities were driven by investor optimism over the outlook for the Chinese economy following a less than expected slowdown in manufacturing growth.

The European stock markets improved in June 2011 as investors' concerns over the Greek debt crisis eased considerably following the approval of the Greek bailout plan. The German Dax increased by 0.60 percent in June 2011 following a sharp 3.66 percent decline in May 2011 while the London FTSE fell by 0.74 percent compared to a 1.32 percent decline in the previous month.