



# Trinidad and Tobago Securities and Exchange Commission

## Market Activity Report- March 2010

### Economic Outlook

The Central Bank has reported a resurgence of inflationary pressures with the headline inflation rate rising to 4.8 percent in February 2010 from 3.7 percent in the previous month. Food prices were the main contributor to the rise. The Bank has expressed concern over a possible heightening of inflationary expectations and has hinted at recourse to monetary policy action to stem the inflationary trend. However, the scope for anti-inflationary monetary policy is constrained by the continuing weakness of the economy, a factor which the Bank appeared to take into account in deciding to maintain the repo rate at 5 percent at the end of March.

Excess liquidity in the system remains at elevated levels, serving to keep both short-term and long-term interest rates depressed. The low interest rate environment this backdrop the domestic stock market appears to be experiencing a modest rally

### Market Performance

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



Stock prices have continued to build on the gains recorded in February 2010 with the Composite Index posting an increase of 2.04 percent in March. The positive rally being experienced since the end of January 2010 has fueled optimism of a decisive turnaround in market performance with the gains in February and March reversing most of the losses experienced over the previous ten months (Figure 1).

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

The cross listed companies have outperformed their domestic counterparts for the month as indicated by the Cross Listed Index which advanced 7.77 percent as compared to the 0.42 percent decline registered by the All T&T Index. This has not occurred since November 2009. The Jamaican domiciled corporations (GKC, JMMB, Scotia DBG Investment Limited (SDBG)) led the advances in the index. The performance of these equities reflects the improved market conditions within the Jamaican stock market.

### **Trading Activity**

Trading activity was mostly buoyant during the month of March as the market registered a 92.5 percent increase over the previous month in trading volumes. The value of trades leapt \$70.2 million or 119 percent over its February value.

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

	<b>February 2010</b>	<b>March 2010</b>	<b>March 2009</b>	<b>Month to Month Change</b>	<b>Year-on-year Change</b>
Volume of Trading	6,030,493	11,610,388	3,370,448	5,579,895 92.5%	8,239,940 244.5%
Value of Trading (\$)	59,010,650	129,245,873	88,375,075	70,235,223 119%	40,870,798 46.2%
Average Daily Volume	335,028	527,745	280,870	192,717 57.5%	246,875 87.9%
Average Daily Value (\$)	3,278,370	5,874,812	4,208,337	2,596,442 79%	1,666,475 39.6%

The year-on-year (YOY) trading volumes and values climbed 244.5 percent and 46.2 percent respectively, suggesting a return of investors to the local equities market. Improvements in the trading indicators and the TTSE composite index suggest an overall improvement in market sentiments over its corresponding period in 2009.

## **Bond Market**

### Primary Bond Market

On March 2<sup>nd</sup> 2010, the National Insurance Property Development Company (NIPDEC) Limited issued a TT\$500 million 18-year bond with a coupon rate of 6.25 percent. This bond was oversubscribed by approximately TT\$122 million. It was fully allotted at par, offering investors a yield to maturity of 6.25 percent. This bond will mature in 2028.

The Government of Trinidad and Tobago, on March 31<sup>st</sup> 2010, issued a TT\$794 million 13-year bond with a coupon rate of 5.95 percent per annum. YTD, this bond increases the total number of central government issued bonds to four (4). The auctioning of this bond commenced on March 31 and will end on April 16.

### Secondary Bond Market

Trading on the secondary bond market was relatively thin in March as trading volumes and values declined from the previous month. There were a total of five (5) trades for the month with a cumulative value of \$101,520,952. This represented an 86 percent month on month (MOM) decline in value of lots traded on the exchange. Trading volumes also declined to 93,220 from the 684,000 registered in the previous month.

## **Regional**

### **The Jamaica Stock Market**

The bullish trend in the Jamaican stock market continued as the JSE Market Index gained 7.86 percent in March after climbing by 5.3 percent in the previous month. The latest rise brought the overall increase over the last twelve (12) months to 9.59 percent (Figure 2). The JSE Market Index rose precipitously during the first 3 weeks of March where it gained 8.04 percent before dipping slightly in the last few trading days of the month.

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



Unlike, the previous month the increase in share prices was accompanied by a significant increase in trading activity. During the month trading volumes on the Exchange rose by 288 percent and trading values almost doubled. The recent rally in Jamaican equities has followed a series of favorable earnings reports for several listed companies on the JSE and a ratings upgrade for Jamaican sovereign bonds by Moody's ratings agency.

### **Barbados Stock Market**

The Barbados stock market continued to languish as the BSE Composite Index declined by 1.54 percent in March 2010 to close at 760.72. This marks a continuation of the declining trend in the stock market over the last twelve months during which the BSE Composite Index fell by 12.96 percent. The BSE Composite Index traded relatively flat until the 2<sup>nd</sup> week after which it began a steep decline from the 12<sup>th</sup> to 17<sup>th</sup> March before bottoming out. During these six (6) days the BSE Composite Index declined by 1.65 percent. Thereafter, the BSE Composite Index posted a marginal increase of 0.58 percent.

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



## Key Institutional Developments

### Jamaica: Ratings Upgrade of Jamaica's local and foreign currency bonds

On March 02, 2009, international ratings agency, Moody's Investors Service upgraded its bond ratings on Jamaica's local and foreign currency sovereign bonds. The ratings on the foreign and local currency bonds were both upgraded to B3 from Caa1 and the Caa2 respectively. The ratings agency attributed its revision to the Governments improved liquidity position stemming from its Jamaica Debt Exchange (JDX). The program has led to lower "debt –servicing costs" on outstanding sovereign bonds in the short-term.

### **Sagicor Life Jamaica Limited (SLJL) sale of Sagicor General Insurance Limited (Cayman)**

On March 02, 2009 Sagicor Life Jamaica Limited (SLJL) advised the JSE of its intention to sell its 75 percent stake in Sagicor General Insurance Limited (Cayman) to Bahamas First Holdings Limited. In announcing the proposed sale SLJL explained that its stake in the general insurance company did not provide ‘sufficient strategic value’ to the company. The proposed divestment is still to be approved by the JSE.

### **Barbados: Delisting of GraceKennedy Limited**

In a press release dated March 25, 2010 GraceKennedy Limited announced its intention to delist its stock from the Barbados Stock Exchange (“BSE”) and Eastern Caribbean Securities Exchange (“ECSE”) effective June 30, 2010. GraceKennedy attributed its proposed delisting to the low levels of trading activity experienced on both exchanges which did not justify the costs associated with maintaining the listings. The Company indicated that its shares would continue to be listed on Jamaica and Trinidad & Tobago stock exchanges.

### **International Developments**

Global equity markets climbed to fresh highs in March as market uncertainty regarding the European debt crisis was tempered and strong US economic data fuelled optimism of a global economic recovery. The rally was led by the European and Asian markets with the German Dax and Nikkei 225 climbing to 18-month highs at the end of March. The Dow Jones rose by an impressive 5.15 percent in March compared to 1.4 percent in the previous month amidst a string of positive economic news. Most notably, data releases showed that manufacturing sector activity in March rose to its highest level in over 5 ½ years. Further, job creation in the US economy was also at its highest in three (3) years. Emerging markets indices rose on the strength of the US economic data with the BSE Sensex rising by 6.68 percent and the Brazil Bovespa climbing by 5.82 percent during the period (see **Table 2 below**).

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

<b>Market Indices</b>	<b>Percentage Change March 2010</b>	<b>Percentage Change Year-to-Date</b>
Dow Jones Industrial Average (US)	5.15	4.11
Nikkei 225 (Japan)	9.52	5.15
FTSE 100 (London)	6.07	4.93
Dax (Germany)	9.92	3.29
Bovespa (Brazil)	5.82	2.60
Shanghai Composite (China)	1.87	-5.13
BSE Sensex (India)	6.68	1.06