



Trinidad and Tobago Securities and Exchange Commission

Market Activity Report- May 2011

Economic Overview

Headline inflation decreased considerably in April 2011 to 6.4 percent (year-on-year) after measuring 9.4 percent in March 2011 (year-on-year). The Central Bank has mainly attributed this decline to the “base effect” inherent in the calculation of the inflation rate for the month of April 2011 and, more specifically, the sharp spike in the Index of Retail Prices in April 2010 (base period). An examination of the rate of inflation on a monthly basis reveals that the general price level rose over the month of April 2011 by 0.4 percent.

The Central Bank statistics continue to point to an uneven recovery in demand for credit by the private sector. While the level of borrowing by businesses remains depressed (albeit less so) there has been a continued expansion in consumer credit and real estate mortgage lending when compared to a year ago. The Central Bank data also shows that the construction sector has been the hardest hit by the contraction in business credit. The sluggishness in borrowing activity in the construction sector can be viewed in the context of the overall slowdown in economic activity in the non-energy sector. Also the construction bubble has burst and consumers are of the perception that real estate prices should fall in the near term.

Banking lending rates are expected to increase in the tightened liquidity environment: the excess liquidity in the financial system has declined from TT\$3.3 billion in October 2010 to TT\$1 billion in April 2011.

In light of the pick-up in credit demand the Central Bank has adopted a cautionary stance on the inflation outlook and has maintained the Repo rate at 3.25 percent for May 2011.

Stock Market Performance

The local stock market continues to exhibit positive trends as the TTSE Composite Index advanced by 3.13 percent in May 2011 to close at 926.44. After faltering in February and March of this year the market maintained an upward trajectory thereafter and posted an increase of 6.24 percent in the April-May 2011 period. At the end of May 2011 the TTSE Composite Index remained 11.77 percent higher compared to its value a year ago (**Figure 1**). The market's performance for May 2011 brought the year-to-date increase in the stock market to 10.87 percent. This year to date performance mirrors the performance for the last year when the market rallied in the earlier part of the year to post an overall gain of 8.77 percent from January to May 2010. The stock market gains in the first five (5) months of the year occurred amidst a low interest rate environment, a resurgence of consumer confidence as evidence by the pick-up in consumer borrowing and a favourable earnings season for several listed companies on the stock exchange such as One Caribbean Media (OCM), West Indies Tobacco Company (WITCO), Republic Bank Limited (RBL) and Guardian Holdings Limited (GHL). During the month's trading ten (10) stocks advanced, six (6) declined and ten (10) stocks traded firm.

The positive performance of the stock market along with the recovery in consumer confidence in the economy can further buoy investor sentiment. Although borrowing by businesses still remains sluggish the relatively stable inflation environment coupled with the improvement in the job market and lower borrowing rates prevailing in the economy provide favourable conditions for an improvement in private sector confidence which can further boost the local stock market.

Market Development

The Trinidad and Tobago Stock Exchange (TTSE) is expected to launch its new trading platform on June 06, 2011. This initiative would consolidate the two (2) markets for equities and bond trading into a single trading platform.

Figure 1

Twelve Month Performance of the TTSE Composite Index: June 1st 2010 – May 31st 2011.



Performance of Cross Listed Companies

Locally domiciled stocks continued to outperform their regional counterparts in May 2011 as the All T&T Index posted an increase of 3.13 percent while the Cross-Listed Index posted a smaller increase of 1.77 percent.

Trading Activity

Trading activity on the stock market for the month of May 2011 was somewhat mixed. While trading volumes for listed companies increased sharply over the month there was a substantial decline in the value of trades over this same period. As such, while trading volumes more than doubled for the month of May 2011 (107.88 percent) the value of the shares traded on the Exchange fell by 72.94 percent. This apparent anomaly can be attributed to the volatile trading pattern of the Republic Bank Limited (RBL) share over the

last two (2) months. The RBL share, which accounted for the bulk of trading values for the market in April 2011 (73 percent), experienced a sharp-fall off in trading in May 2011. The value of RBL shares traded on the Exchange fell from TT\$124. 4 million in April 2011 to TT\$2.6 million in May 2011.

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

Volume/Value	April 2011	May 2011	May 2010	Month to Month Change	Year-on-year Change
Volume of Trading	7,850,935	16,320,603	9,848,640	8,469,668 107.88%	6,471,963 65.71%
Value of Trading (\$)	170,745,224.68	46,211,254.30	132,547,908.11	(124,533,970.3) (72.94%)	(86,336,653.8) (65.14%)
Average Daily Volume	373,854.05	777,171.57	468,982.86	403,317.52 107.88%	308,188.71 65.71%
Average Daily Value (\$)	8,130,725.00	2,200,535.9	6,311,805.14	(5,930,189.1) (72.94%)	(4,111,269.24) (65.14%)

Bond Market Activity

Primary Bond Market

During the month of May 2011 the primary bond market saw the issue of a 19-year fixed rate bond by National Insurance Property Development Company Limited (NIPDEC) due May 17, 2030. This bond had a coupon rate of 6.55 percent and a face value of TT\$750,000,000. The bond issue was heavily oversubscribed and was allotted at a premium with investors earning a yield to maturity of 6.25 percent, which was slightly lower than the 6.55 percent coupon rate. This bond issue, the first since March 2011, brought the total value of bond issues on the primary market for the year to date to TT\$ 3.08 bn. Due to the notable contraction of

Government issues and the sluggishness of corporate bond issues activity in the primary bond market has been subdued as compared to the same period in 2010 where activity in the primary market for bonds amounted to TT\$10.6 bn.

Secondary Bond Market

Trading on the secondary bond market picked up in May 2011 following a slump in April where there was no activity. A total of five (5) trades took place on the Exchange with a combined value of TT\$3,481,984.40. The value of trades on the Exchange for the year-to-date measured TT\$89,405,844.40 which was considerably lower than that for the same period in 2010 where trading on the secondary market amounted to TT\$1,179,788,092.70.

Regional

Jamaica Stock Market

The Jamaican stock market posted a decline of 0.65 percent in May 2011 to close at 88,651.86. The market experienced intermittent volatility before closing in negative territory at the end of May 2011. Despite this decline there were more advances than declines amongst listed companies: twenty-four (24) stocks advanced, nine (9) stocks declined and seven (7) remained unchanged over the month of May 2011.

Trading activity on the Exchange also remained buoyant in May 2011 when compared to the previous month. Market volumes and values in May 2011 were 82.74 percent and 171.8 percent higher than in April 2011.

The favourable advance-decline ratio of listed companies and the increase in trading activity on the Exchange suggest that the decline in the JSE Market Index in May 2011 is not indicative of a future trend in the stock market.

Figure 2:

Performance of the JSE Market Index – June 1st 2010 – May 31st 2011



Barbados Stock Market

The Barbados stock market posted a positive performance during the month of May 2011 with the BSE Composite Index advancing by 1.16 percent to close at 743.82. This brought the year to date performance to 10.17 percent. The rally in share prices for the year thus far has reversed much of the decline in the previous year: the market has posted a marginal decline of 0.70 percent over the twelve (12) months to May 2011. Despite this upward movement, concerns still persist over the country’s fiscal imbalance and mounting national debt. Also, there continues to be excess liquidity in the Barbadian banking system due mainly to a decline in credit to the private sector.¹

¹ Economic Review of economy: March 2011- Central Bank of Barbados

Figure 3

Performance of the BSE Composite Index – June 1st 2010 – May 31st 2011



International Developments

Global equity markets were down in May 2011 as concerns over the Greek debt crisis and the slowdown in the US economy tempered market sentiment. The emerging markets of India and China were the worst performing markets with the Shanghai Composite and BSE Sensex posting losses of 5.77 percent and 3.75 percent respectively. The developed markets fared slightly better with the FTSE and Dow Jones posting declines of 1.32 percent and 1.88 percent respectively. Weak economic data² emanating from the housing market and manufacturing sector in the United States raised concerns of a slowdown of the US economy and added to the already existing fears of a contagion in euro zone debt crisis.

² According to the S&P/Case-Shiller composite index of 20 metropolitan areas .Single-family home prices dropped in March 2011, dipping below their 2009 low. Also, an index of manufacturing activity in the Chicago region dropped sharply to 56.6% in May 2011 from 67.6% in April 2011, the lowest reading since November 2009.

The Dow Jones rebounded near the end of the month over the prospect of a second financial bailout package for Greece by the European Union³. It should be noted that the US economic woes and the mounting debt crisis facing the economy have dampened the outlook for the US dollar and have strengthened calls from various quarters for a decoupling of global currencies from the US dollar in favour of gold⁴.

Table 2: Performance of Major Market Indices

Market Indices	Percentage Change May 2011	Percentage Change April 2011	Percentage Change Year-to-Date
Dow Jones Industrial Average (US)	(1.88)	3.51	8.57
Nikkei 225 (Japan)	(2.72)	1.46	(6.36)
FTSE 100 (London)	(1.32)	1.00	1.53
Dax (Germany)	(3.66)	4.66	4.59
Bovespa (Brazil)	(2.27)	(4.53)	(6.77)
SSE Composite Index (China)	(5.77)	(1.88)	(2.79)
BSE Sensex (India)	(3.75)	(1.46)	(10.27)

³ At the end of the month European finance ministers were still in talks/negotiations over a new three-year bailout program for Greece although they were widely expected to sign off on a deal

⁴ <http://www.thepeninsulaqatar.com/business-news/151828-financial-expert-calls-for-pegging-gulf-currencies-to-gold.html>