



Trinidad and Tobago Securities and Exchange Commission

Market Activity Report- November 2011

Economic Overview

The most recent inflation statistics published by the Central Bank¹ showed that inflationary pressures in the economy have begun to pick-up: the Headline Inflation rate inched up to 3.7 percent on a year-on-year basis in October 2011 from a historic low of 0.6 percent in August 2011. Notwithstanding this up-tick the Central Bank noted, however, that the inflation rate still remained ‘well contained’. Within this context the Central Bank opted to keep the ‘Repo’ rate at 3 percent for the month of November 2011.

Despite the relatively accommodating monetary policy stance adopted by the Central Bank, private sector demand for credit has remained weak, although the data for the month of August 2011 pointed to a tentative recovery in business lending. According to statistics² from the Central Bank loans to businesses contracted by 1.4 percent in September 2011 (year-on-year) after remaining relatively unchanged in August 2011 while consumer credit slowed to 3.9 percent (year-on-year) in September 2011 from a rate of 4.2 percent in August 2011. Real estate mortgage lending remained robust with an increase of 9.8 percent in the twelve (12) months to September 2011.

Given the subdued conditions in the credit market local commercial banks remains saturated with excess liquidity: Data from the Central Bank show that commercial banks’ excess reserves at the Central bank increased to an average of TT\$5.5 billion in the first three weeks of October 2011³ from TT\$1.7 billion in June 2011.

In keeping with the relatively high liquidity environment short-term interest rates remained at depressed levels for yet another month. The three-month treasury bill rate fell to 0.22 percent in November 2011 from 0.25 percent in September 2011 while the yield on six-month treasury bills declined to 0.32 percent in October 2011 from 0.38 percent in September 2011.

¹ Repo rate announcement dated on November 25, 2011.

² Repo rate announcement dated on November 25, 2011.

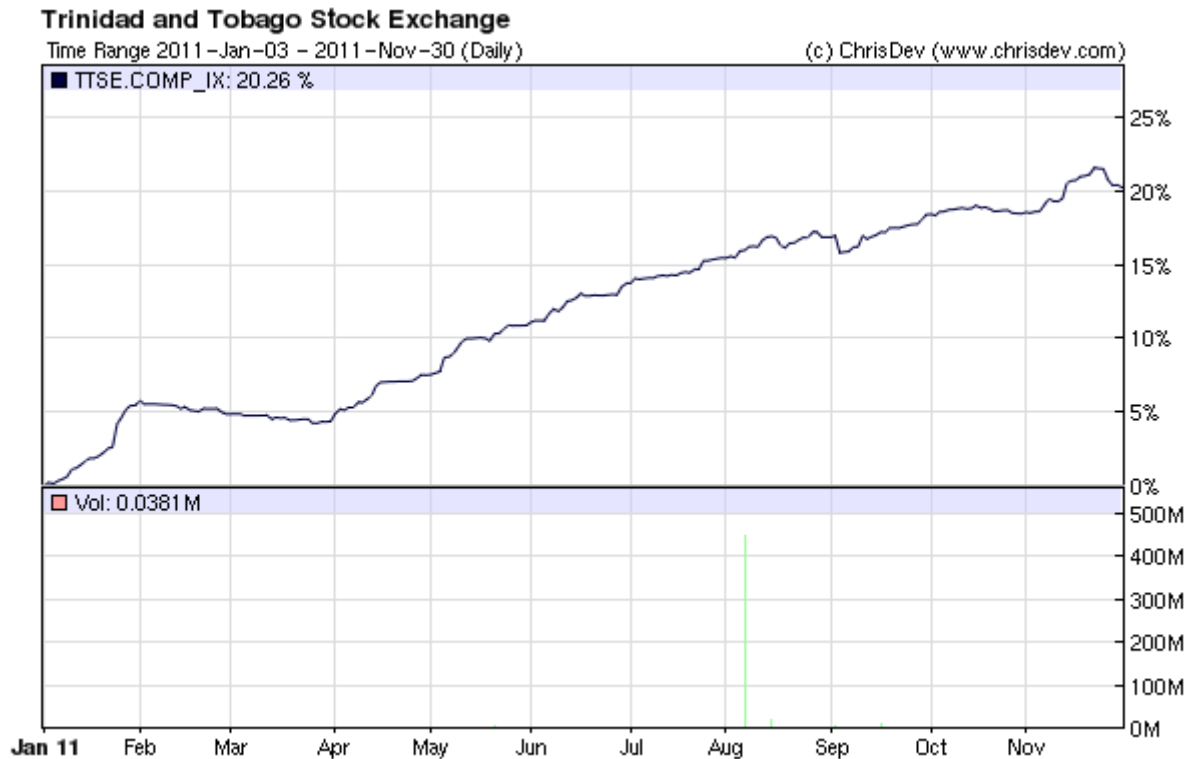
³ Repo rate announcement dated on November 25, 2011.

The low interest rate environment and the prevailing high levels of liquidity in the financial system contribute to the attractiveness of the domestic stock market relative to banking products and income-based mutual funds. However the slow pace of the economic recovery coupled with the low levels of business confidence reduces the scope for expansion in the stock market.

Stock Market Performance

Following the market's relatively flat performance in the previous month the TTSE Composite Index posted a gain of 1.53 percent in November 2011. This was the largest monthly performance in the TTSE Composite Index since July 2011 during which the market rose by 1.54 percent. The advances and declines attest to the improvement in market sentiment from the last month⁴: Out of the twenty nine (29) listed companies, thirteen (13) advanced, ten (10) declined and six (6) stocks remained unchanged in November 2011.

Figure 1: TTSE Composite Index for the period January to November 2011



⁴ Out of the twenty-nine (29) listed stocks, eight (8) advanced, nine (9) declined and twelve (12) stocks remained unchanged in October 2011.

The market's turnaround in November 2011 brought its overall increase for the year-to-date to 20.26 percent. In keeping with the run-up in stock prices in November 2011 the market capitalisation of listed companies expanded to TT\$93.7 billion from TT\$92.3 billion at the end of October 2011. The market rally for the year to date was led by listed companies within the financial and trading sectors. In the eleven (11) months to November 2011 the Banking and Non-Banking finance companies recorded overall increases of 21.21 percent and 26.70 percent respectively while Trading companies posted an overall increase of 33.49 percent. The worst performing sectors on the Exchange were the Manufacturing II and Property sectors which experienced overall declines of 20.63 percent and 3.06 percent respectively. **Tables 1 & 2** illustrate the top five (5) best and worst performing stocks for the month of November 2011 respectively.

Table 1: Top five (5) performing stocks for November 2011

	Security	Closing Price	Monthly Change	Monthly Change
1	Jamaica Money Market Brokers	\$0.90	\$0.14	18.42%
2.	Supreme Ventures Limited	\$0.20	\$0.02	11.11%
3.	National Commercial Bank Jamaica Limited	\$2.16	\$0.16	8.00%
4.	First Caribbean International Bank Limited	\$9.05	\$0.53	6.22%
5.	GraceKennedy Limited	\$4.26	\$0.21	5.19%

Table 2: Worst five (5) performing stocks for November 2011

	Security	Closing Price	Monthly Change (\$)	Monthly Change (%)
1	Trinidad Cement Limited	\$1.80	(\$0.36)	(16.67%)
2.	National Flour Mills Limited	\$0.79	(\$0.08)	(9.20%)
3.	Capital & Credit Financial Group Limited	\$0.30	(\$0.03)	(9.09%)
4.	National Enterprises Limited	\$14.49	(\$1.01)	(6.52%)
5.	Sagicor Financial Corporation	\$7.60	(\$0.41)	(5.12%)

Trading Activity

November 2011

The turnaround in the stock market in November 2011 occurred amidst heightened trading activity amongst listed companies. The Trinidad and Tobago Stock Exchange (Exchange) witnessed an almost three-fold increase in aggregate trading volumes (293 percent) whilst the total value of shares crossing the floor increased by 76 percent. Trading activity was concentrated around two (2) shares, NCB Jamaica Limited and GraceKennedy Limited which together accounted for 54 percent of the total volume of shares traded on the Exchange.

Table 3: Monthly and Yearly Comparison of Trading Values and Volume: November 2011

Volume/ Value	Oct-11	Nov-11	Nov-10	MOM change (\$)	MOM % change	YOY Change (\$)	YOY % change
Volume of Trading	2,395,514	9,425,650	4,407,541	7,030,136	293%	5,018,109	114%
Value of Trading (\$)	42,713,661	75,267,993	58,147,491	32,554,332	76%	17,120,502	29%
Average Daily Volume	119,775	428,438	209,883	308,663	257%	308,663	147%
Average Daily Value (\$)	2,135,683	3,448,545	2,768,928	1,312,862	61%	679,617	24.54%

Bond Market Activity

Primary Bond Market: November 2011

On November 22, 2011 the Government of the Republic of Trinidad and Tobago (GORTT) issued a 6 percent 20-year fixed rate bond in the amount of TT\$1.5 billion. This central government bond issue, the first for the year, was well received by the market. As a result, the bond issue was oversubscribed with total bids received amounting to TT\$3.0 billion and was

therefore allotted at a premium. The proceeds of this government bond issue will be used to finance the government's payout to CLICO policyholders. The overwhelming response to this bond issue was consistent with the highly liquid conditions in the market.

This latest bond issue brought the total number of issues in the primary market to eight (8)⁵ with an aggregate value of TT\$6.0 billion: there were two (2) private sector issues and six (2) issues from the public sector. **Table 4** shows the composition of the bond issues for the eleven-month period ending November 2011. As shown in the Table the public sector bond issues dominate the primary bond market in terms of both the frequency and value of bond issuances.

Table 4: Bond Issues on the Primary Bond Market by Sector: 2010- 2011

Sector	Jan – November 2011		Jan – November 2010	
	No. of issues	Value of issues (TT\$)	No. of issues	Value of issues (TT\$)
Private Sector	2	1,050,000,000	3	\$976,000,000
Public Sector of which:	6	4,910,300,000	7	\$6,557,600,000
Central Government	1	1,500,000,000	3	\$4,793,800,000
State Enterprises	5	3,410,300,000	4	\$1,763,800,000
Total (Public and Private)	8	5,960,300,000	10	7,533,600,000

Secondary GORTT Bond Market

November 2011

Trading activity on the secondary bond market slowed in November 2011. The market recorded six (6) trades in November 2011 down from ten (10) in the previous month. The value of trades declined by 38.45 percent to TT\$27,741,118 from the year's high of TT\$41,822,945 in October 2011.

⁵ This figure includes three (3) bond issues that were not previously included in last month's Market Activity Report for October 2011.

For the year to date, there have been forty-six (46) trades with a cumulative value of TT\$194,214,926 compared to the same period in 2010 when the market witnessed a total of one hundred and nineteen (119) trades which had a value of TT\$1,837,771,956.

The subdued level of trading in 2011 compared to 2010 can be attributed to the lack of GORTT bond issues in 2011. The recent TT\$1.5 billion bond issued by the Central Government on November 22, 2011 can be expected to provide a boost to the secondary bond market in the coming months.

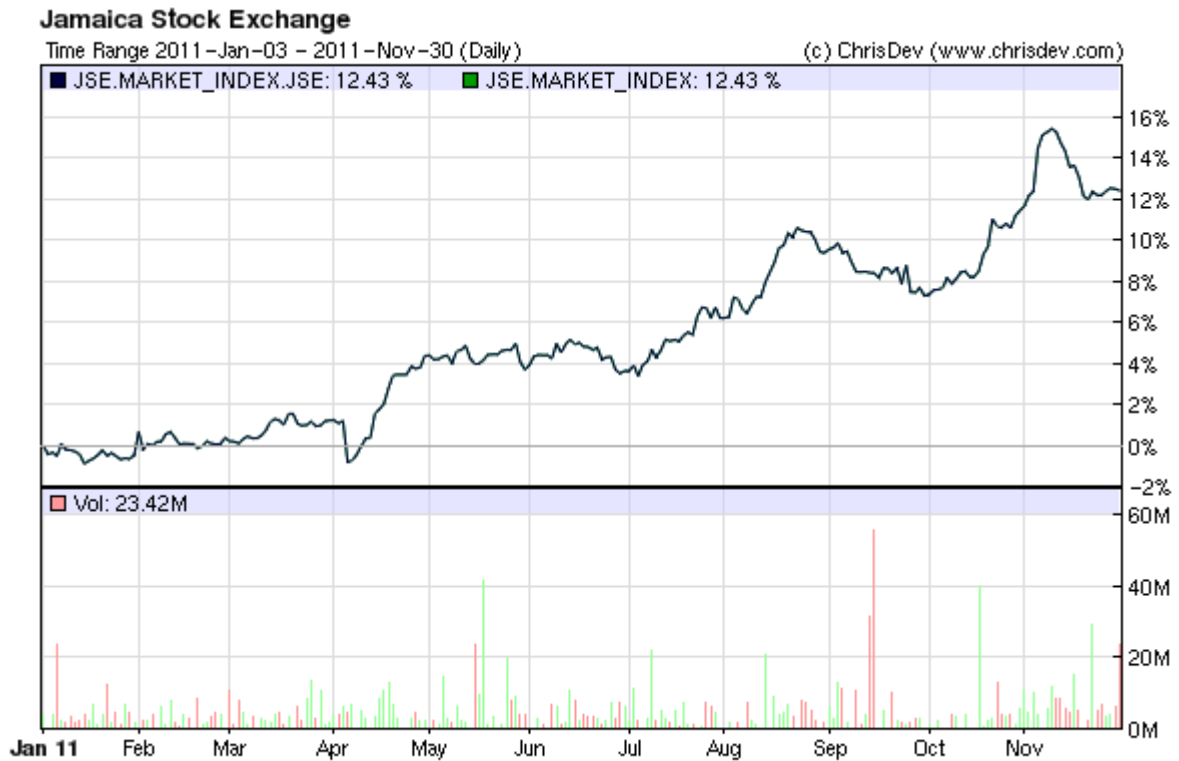
Jamaica Stock Market

The Jamaican stock market continued its positive trend as the JSE Market Index advanced by 0.69 percent for the month of November 2011. The momentum in the previous month continued in November 2011 as the JSE Market Index advanced by 3.37 percent from January 1st – January 9th, 2011 where it peaked at 98,685.32 on January 9th, 2011. From that point on the JSE Market Index descended to a low of 95,713.75 on January 21st, 2011, a decline of 3.01 percent. For the remainder of the month the market stabilized somewhat as the JSE Market Index closed at 96,125.84 on November 30th, 2011. For the year-to-date the JSE Market Index has advanced by 12.43 percent. This compares favourably to the comparable period one year earlier where the JSE Market Index grew marginally by 1.37 percent.

Market conditions appear to be stable. Out of the thirty seven (37) stocks on the JSE, sixteen (16) advanced, thirteen (13) declined and eight (8) stocks traded firm during the month of November 2011.

There was a significant increase in trading activity for the month of November 2011 as compared to the previous month: aggregate trading volumes increased by 75 percent to 184,410,342 while the aggregate value of trades almost doubled from J\$1.43 billion in October 2011 to J\$2.53 billion in November 2011.

Figure 2: JSE Market Performance of the JSE Market Index: January – November 2011



Barbados Stock Market

The BSE Composite Index decreased by 0.01 percent over the month of November 2011 and recorded an overall gain of 8.00 percent for the year-to-date. The performance of the Barbados stock market in 2011 represented a marked improvement over its performance last year when the BSE Composite Index was down by 12.96 percent at the end of November 2010.

The performance of individual stocks underscored the bearish mood of the market and the prevailing level of illiquidity on the Barbados stock exchange: out of the twenty four (24) listed stocks, the overwhelming majority remained unchanged (twenty two (22)) and the remaining two (2) declined during the month of November 2011.

Figure 3: Performance of the BSE Composite Index: January – November 2011



International Developments

Global stock markets ended the month in negative territory in November 2011 as the European sovereign debt crisis worsened. Last month's market rally proved short lived as concerns over the ability of the European bailout package to contain the debt crisis dampened investor sentiment. The announcement by the Greek Prime Minister of his intention to hold a referendum in relation to the measures announced in the bailout package heightened investor's fears of a Greek sovereign debt default and the possible contagion risks for other countries within the Euro-zone stemming from this default. These fears soon materialized as the contagion spread to the larger euro-zone countries of Italy, Spain and France. Relief came to the market in the form of coordinated actions announced on November 30, 2011 by the Federal Reserve, the Bank of Canada, the Bank of England, the Bank of Japan, the European Central Bank and the Swiss National Bank to provide liquidity support to the global financial system. The central banks

agreed to “lower the pricing on the existing temporary U.S dollar liquidity swap arrangements⁶ by 50 basis points as well as establish temporary bilateral liquidity swap arrangements that would allow the central banks to provide liquidity in any currency⁷.”

Global markets rallied following this announcement and erased most of their earlier losses. The Dow Jones was the only one of the major stock indices to end the month in positive territory with an overall increase of 0.75 percent. Just as in the previous month the developed markets of Europe and the United States outperformed the emerging markets, particularly the Asian markets. The Asian market indices posted the biggest losses for the month: the BSE Sensex (India), the Nikkei 225 Index (Japan) and the SSE Shanghai Composite Index declined by 8.93 percent, 6.16 percent and 5.46 percent respectively. The poor performance of the Asian equity markets can be attributed to rising concerns over the slowdown in China’s economy. These concerns were substantiated by statistics coming out of a preliminary manufacturing survey produced by HSBC⁸ which pointed to a contraction in China’s manufacturing sector.

Table 5: Performance of Major Stock Market Indices.

Market Indices	% Change November 2011	% Change October 2011	% Change for the Year-to-date
Dow Jones Industrial Average (US)	0.75%	9.56%	4.04%
Nikkei 225 (Japan)	(6.16%)	4.91%	(17.54%)
FTSE 100 (London)	(0.70%)	8.11%	(6.69%)
Dax (German)	(0.85%)	15.61%	(11.93%)
Bovespa (Brazil)	(2.51%)	11.50%	(17.94%)
SSE Composite Index (China)	(5.46%)	4.45%	(16.90%)
BSE Sensex (India)	(8.93%)	8.91%	(21.39%)

⁶ Under the program, the Federal Reserve lends dollars to other central banks in return for their currencies. The foreign central banks then use auctions to lend dollars to financial institutions under their jurisdiction.” – www.marketwatch.com

⁷ <http://www.federalreserve.gov/newsevents/press/monetary/20111130a.htm>

⁸ A global banking and financial services company headquartered in London.