



Trinidad and Tobago Securities and Exchange Commission

Market Activity Report- October 2010

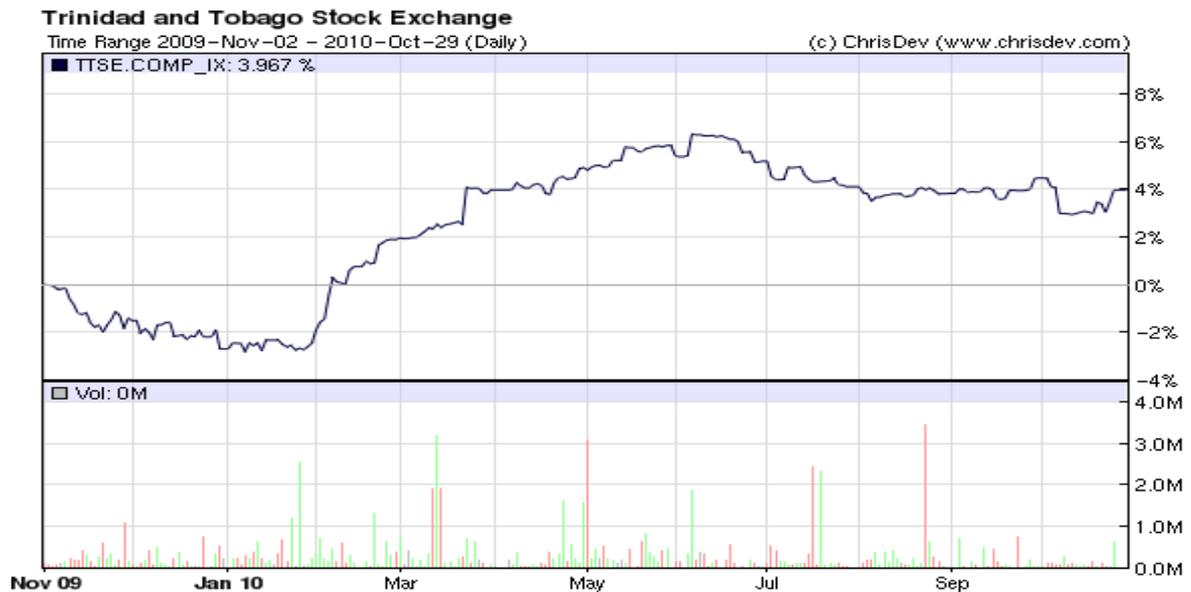
Economic Outlook

The Central Bank has reported a decline in inflationary pressures with the headline inflation rate declining to 13.2 percent, year on year, in September 2010 from 16.2 percent in the previous month. Food price inflation continues to be the main driver of headline inflation. The rate of inflation remains a concern to the Bank as it indicates a significant loss of purchasing power by consumers amidst rising unemployment, weak consumer and business confidence and a stagnant non-energy sector. It appears that these factors have contributed to the Bank's position of pursuing a loose monetary policy and it therefore reduced the repo rate by twenty five (25) basis points to four (4) percent at the end of October. While conventional financial theory suggests that the stock market should benefit from the current inflationary environment as investors search for higher yields to buffer their loss in purchasing power, the short to medium-term outlook for the local stock market remains uncertain given the poor economic climate which has dampened investor sentiment.

Short term interest rates continue to face downward pressures as excess liquidity in the monetary system rose to TT\$3 billion to the end of October 2010. The Bank noted that this excess liquidity has resulted in a decline in the use of the "repo window" by commercial banks. Within this context, it is suggested that the Bank's attempt to use the repo rate as a monetary tool to effect reductions in commercial banks interest rates to stimulate private sector demand for loans may prove to be ineffective in the short term.

Market Performance

Figure 1
Twelve Month Performance of the TTSE Composite Index



Stock prices continued to fluctuate as the TTSE Composite Index registered a decline of 0.48 percent in October 2010, a reversal from its marginal increase (0.62 percent) in September 2010. Notwithstanding these monthly fluctuations, the local stock market has remained on a downward trend since June 2010 during which the TTSE Composite Index has declined by 11.15 percent in the five (5) months to October 2010. The relatively poor stock market performance reflects the pervasive mood of uncertainty among investors over the outlook of the stock market. The just concluded poor corporate earnings season has also tempered investor optimism. Despite the low market sentiment, the market was up by 6.85 percent for the year-to-date; this compared favourably to the comparable period in 2009 when the TTSE Composite Index declined by 6.55 percent. However, as scepticism amongst investors continues to grow over the uncertainty of an economic recovery the outlook for the local stock market remains muted.

Performance of Cross Listed Companies

Stock prices for the cross listed companies and locally domiciled companies posted declines for the month as reflected in their respective stock market indices. The Cross Listed Index declined

by 0.98 percent in October 2010 compared to the All T&T Index which fell by 0.38 percent for the month. The Jamaican domiciled companies led the advances in the Cross Listed Index. The performance of the Jamaican-based companies may be indicative of increasing investor confidence in the Jamaican financial sector.

Trading Activity

Trading activity remained buoyant in the month of October despite the downward movement in stock prices on the Exchange. Most notably, the value of shares traded on the Exchange in October 2010 almost tripled from the previous month based on a mere five (5) percent increase in trading volumes (**Table 1** refers). This surge in trading activity was driven by trading in two (2) banking securities: Republic Bank Limited (RBL) and Scotiabank Trinidad and Tobago Limited (SBTT) both of which together accounted for TT\$75.5 million or roughly 72 percent of the total value of shares exchanging hands on the Exchange in October 2010. The value of RBL shares traded increased from TT\$124,159.50 in September 2010 to TT\$41.6 million in October 2010 while trading values for the SBTT share increased from TT\$2.8 million in September 2010 to TT\$33.9 million in October 2010. The increase in trading in the RBL share can be attributed to significant investor interest surrounding RBL's announcement on October 22, 2010 of its intention to make a formal offer to the shareholders of Barbados National Bank Inc (BNB) to acquire the remaining 34.87 percent shareholding in the company. RBL already has a 65.13 percent stake in BNB. In addition, there is usually significant trading activity in the SBTT share close to the company's financial year-end (September) and it should be noted that there were no new developments taking place within the company in the months of September and October 2010.

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

	September 2010	October 2010	October 2009	Month to Month Change	Year-on-year Change
Volume of Trading	3,325,003	3,494,415	9,647,630	169,412 5.10%	(6,153,215) (63.78%)
Value of Trading (\$)	36,139,647	104,831,474	71,602,230	68,691,827 190.1%	33,229,244 46.4%
Average Daily Volume	166,250	166,401	459,411	151 0.09%	(293,010) (63.8%)
Average Daily Value (\$)	1,806,982	4,991,975	3,409,630	3,184,993 176.26%	1,582,345 46.4%

Bond Market Activity

Primary Bond Market

There were no bond issues in the primary bond market for the month of October 2010.

Secondary Bond Market

There was a pronounced decline in trading activity on the secondary bond market over the month of October 2010 compared to the previous month. The value of bonds changing hands on the Exchange decreased five-fold from \$172.5 million in September 2010 to \$32.2 million in October 2010. There was a slight decline in the total number of transactions within the secondary bond market from ten (10) in September 2010 to eight (8) in October 2010.

Despite the marked slowdown in trading for the month of October 2010 trading activity for the year-to-date has been significantly higher than the corresponding period in 2009. The year-to-date cumulative trading volumes in 2010 which amounted to TT\$1.8 billion, greatly exceeded the value recorded for the comparable period in 2009, TT\$575.2 million, while the total number of transactions has jumped from seventy-one (71) during the period January – October 2009 to 101 in January – October 2010.

Regional

Jamaica Stock Market

The JSE Market Index continued the downward trend witnessed since June 2010 with a marginal decline of 0.31 percent over the month of October 2010. This lacklustre performance has contributed to an overall decline of 0.04 percent in the JSE Market Index for the year-to-date. The Jamaican stock market has thus erased the gains experienced during the ‘bull-run’ over the period, February to April 2010. A closer examination of the Jamaican stock market reveals that overall stock prices on the Jamaican Stock Exchange was volatile for the first week in October: the JSE Market Index surged by 1.3 percent on one day’s trading on October 6, 2010 after which it traded flat on October 7 and slid by 1.5 percent on October 8, 2010. The market stabilized thereafter declining by 0.17 percent for the remainder of the month to close at 83,039.89 at October 29, 2010.

Figure 2:

Performance of the JSE Market Index – November 1, 2009 to October 30, 2010



Barbados Stock Market

The Barbados Composite Index posted a marginal increase of 0.2 percent over the month of October 2010. However, despite this overall flat performance the market experienced intermittent periods of volatility during the month. The Barbados Composite Index climbed steadily in the first week of trading and remained at a standstill for the second week of trading (October 11th – 15th, 2010) then trended downward in the third trading week. For the twelve-month period ending October 2010 the BSE Composite Index experienced an overall decline of 12.81 percent.



International Developments

The global stock markets faltered in October 2010 despite a brief rally in September 2010. The Dow Jones lost its momentum from the previous month as investors maintained a cautious stance over the anticipated announcement of the Federal Reserve's second round of quantitative easing (QE2)¹ and the impact this measure would have on the US economic recovery and the level of inflation in the US. This market uncertainty overshadowed positive news emanating from the US labour market which showed that there was a slight decline in unemployment claims for the month of October over the previous month. The performance of the developed market indices with the exception of the German Dax was subdued in October with the Nikkei 225 declining by 2.14 percent and the London FTSE 100 up by only 1.47 percent in the month of October 2010. The performance of emerging markets was mixed: the Shanghai Composite Index led the advances with a 12.17 percent gain in October largely on account of the improved economic growth outlook in China while Brazil's Bovespa rose by a marginal increase of 0.62 percent and the India's BSE Sensex declined by 2.02 percent during the month of October 2010.

¹ The Federal Reserve increases the money supply through purchases of US Treasury securities.

Table 2: Performance of Major Market Indices

Market Indices	Percentage Change October 2010	Percentage Change September 2010	Percentage Change Year to Date
Dow Jones Industrial Average (US)	2.66	5.05	6.62
Nikkei 225 (Japan)	(2.14)	4.96	(12.74)
FTSE 100 (London)	1.47	3.40	4.85
Dax (Germany)	6.42	2.40	10.96
Bovespa (Brazil)	0.63	3.51	3.04
SSE Composite Index (China)	12.17	1.25	(9.10)
BSE Sensex (India)	(2.02)	10.23	14.70