



Trinidad and Tobago Securities and Exchange Commission

Market Activity Report- September-October 2011

Economic Overview

According to the “Review of the Economy 2011”, published by the Ministry of Finance, the Trinidad and Tobago economy is set to record its third consecutive year of negative growth: the country’s GDP is projected to decline by 1.4 percent in real terms in 2011 on account of “flat growth in the petroleum sector and lower levels of economic activity in the non-petroleum sector”. The economy contracted by 3.3 percent in 2009 and by a marginal 0.02 percent in 2010.

Against this background inflationary pressures in the economy remain relatively subdued. The latest inflation statistics from the Central Bank¹ showed that Headline Inflation rose to 2.5 percent on a year-on-year basis in September 2011 from a historic low of 0.6 percent in August 2011. The Central Bank further noted that the inflation rate has slowed sharply over the course of the year from 12.5 percent in January 2011 to 0.6 percent in August 2011.

The prevailing low inflationary environment has allowed the Central Bank to pursue an accommodative monetary policy in order to stimulate economic activity. In keeping with this monetary stance the Bank maintained the ‘Repo’ rate at 3 percent for the month of November 2011.

Despite the relatively accommodating monetary policy stance, private sector demand for credit has remained weak. However, there have been some signs of a recovery in private sector credit fuelled by resurgence in real estate and consumer lending. The Central Bank noted that in the twelve months to August 2011 consumer credit grew by 4.2 percent while real estate mortgage lending expanded by 9.6 percent. Meanwhile the level of loans to businesses remained unchanged in August 2011 compared to a year ago, a marked improvement from the start of the year when the level of business lending contracted by 5.7 percent (year-on-year).

¹ Repo rate announcement dated on October 28, 2011.

As a result of the subdued conditions in the non-energy sector and the recent acceleration in the level of capital spending by the Government over the last two months there has been a significant build-up in liquidity in the financial system. The Commercial banks' excess reserves at the Central bank rose from TT\$1.7 billion in June 2011 to TT\$4.5 billion in the first three weeks of October 2011². Consistent with this highly liquid environment short-term interest rates have declined over this same period: the three-month treasury bill rate fell to 0.25 percent in October 2011 from 0.98 percent in June 2011 while the yield on six-month treasury bills declined to 0.38 percent in October 2011 from 1.23 percent in May. Similarly the weighted average interest rate on ordinary savings deposits at commercial banks declined to 0.2 percent in July 2011 from 0.325 percent in January 2011. In the current low interest rate environment the stock market provides attractive returns relative to returns on deposits and other fixed income investment products. Banks continue however, to post superior profits: Republic Bank declared a profit of TT\$1.1 billion for the financial year ending September 30, 2011. The Bank attributed its increase in profitability over the last financial year to an increase in loan demands and the recovery of bad loans³.

Budget Statement 2012

In the 2012 Budget Statement the Honourable Minister of Finance announced several government measures aimed at stimulating activity in the stock market. These proposed measures included:

1. The establishment of a third tier on the Trinidad and Tobago Stock Exchange (TTSE) to facilitate capital raising by Small and Medium Enterprises (SME Market), much like the Jamaica Stock Exchange Junior Market. The SME Market is intended to provide scope for increased activity on the TTSE, provide SMEs the opportunity to access capital through non-traditional means (rather than bank financing) and to stimulate investor appetite in the local stock market. Two primary considerations for the SME market are highlighted below:
 - a. To be eligible for listing the SME must have a minimum of 25 shareholders holding at least 30 percent of the company's share capital; and

² Repo rate announcement dated on October 28, 2011.

³ "Republic Bank earns \$1.1 B in profit--- Newsday, Friday November 4, 2011.

- b. A reduced corporation tax rate of 10 percent would be extended to an SME that has capital greater than TT\$5 million and no greater than TT\$50 million and remains listed on the SME Market for a period of five years.

The challenge for the TTSE is to develop this concept to allow for third tier listings in the shortest possible time frame.

2. Regional Stock Exchange – The Government will embark on a new initiative to encourage the development of a regional stock market. To advance this integration effort the Government will initiate discussions with Caribbean countries to identify ‘a new integration framework’ for investment opportunities within the Caribbean.
3. Public offerings of state controlled enterprises – During the 2012 fiscal year there will be divestments and/or initial public offerings (IPOs) of the Government’s shareholding in several state controlled enterprises: Point Lisas Industrial Port Development Corporation; the Trinidad and Tobago Mortgage Bank and First Citizens Bank (the Government’s ownership stake of the Bank will remain unchanged). Stocks would be made available to retail investors in the secondary market, thus, providing them with the opportunity to share in the country’s wealth.

Stock Market Performance

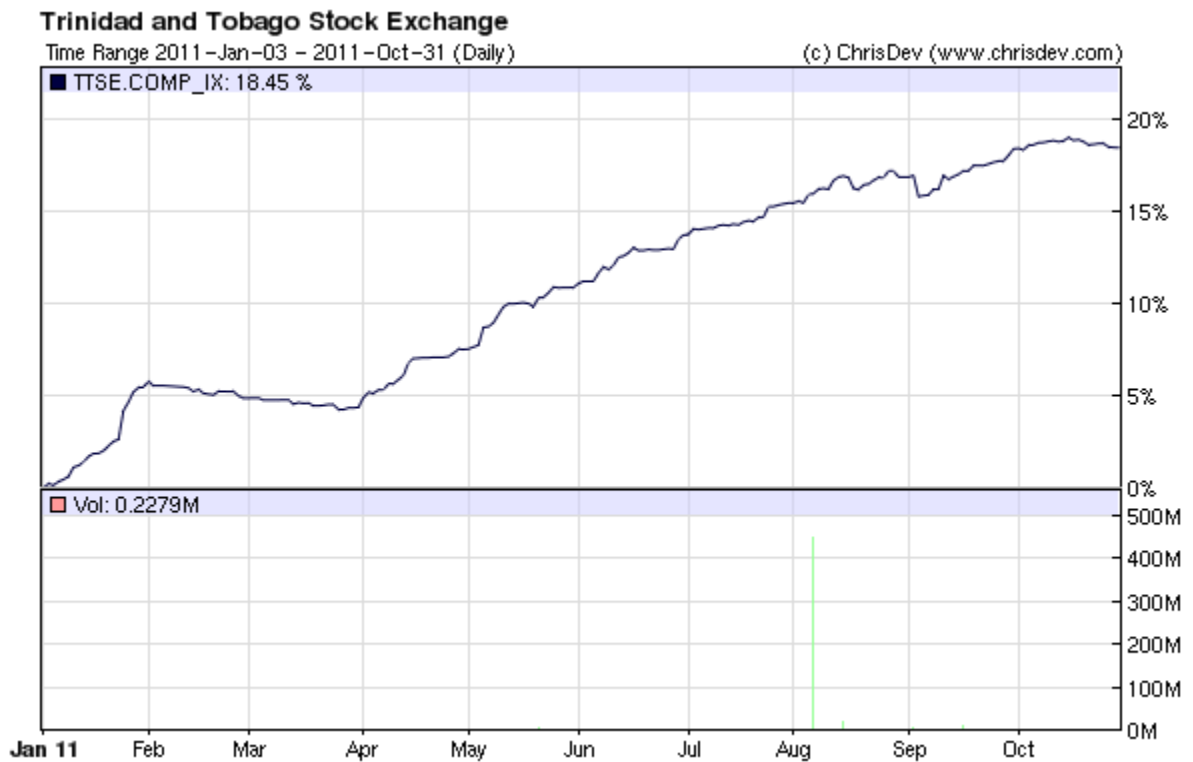
The domestic stock market has lost some of its momentum over the last month as the TTSE Composite Index registered a marginal 0.5 percent gain in October 2011, down from its 1.31 percent increase in August 2011. The advance/decline ratio for stock prices attests to the market slowdown over the month of October 2011: out of the twenty-nine (29) listed stocks, eight (8) advanced, nine (9) declined and twelve (12) stocks remained unchanged during the month.

Notwithstanding the market’s flat performance in October 2011, the TTSE Composite Index closed 18.45 percent higher than at the start of the year, a significant improvement compared to a year ago when the market was up by only 6.47 percent. The performance of the stock market in

2011 is noteworthy considering the economic challenges that exist presently. While the economy still continues to grapple with the fallout of the global economic crisis, and the impending threat of a double dip recession in the US, the local stock market remains fairly insulated from the turmoil affecting international equity markets.

The run-up in stock prices in 2011 has led to a significant expansion in the market capitalisation of listed companies and significant windfall gains for investors: market capitalisation on the Exchange rose from TT\$77.8 billion at the end of January 2011 to TT\$92.3 billion at the end of October 2011.

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



The market rally has so far been led by listed companies within the financial and trading sectors. In the ten (10) months to October 2011 the Banking and Non-Banking finance companies recorded overall increases of 16.7 percent and 30.3 percent respectively while Trading companies posted an overall increase of 27.3 percent. The worst performing sectors on the

Exchange were the Manufacturing II and Property sectors which experienced overall declines of 12.7 percent and 2.04 percent respectively. **Tables 1-4** depict the top three (3) best and worst performing stocks for September and October 2011 respectively

Table 1: Best three (3) performing stocks for September 2011

	Security	Closing Price	Monthly Change (\$)	Monthly Change (%)
1	Jamaica Money Market Brokers	\$0.70	\$0.20	40.00%
2.	Trinidad Cement Limited	\$2.17	\$0.42	24.00%
3.	Sagicor Financial Corporation	\$8.78	\$1.18	15.53%

Table 2: Worst three (3) performing stocks for September 2011

	Security	Closing Price	Monthly Change (\$)	Monthly Change (%)
1	Scotia DBG Investments	\$2.16	(\$0.24)	(10.00%)
2.	Barbados Shipping & Trading Company	\$25.49	(\$2.44)	(8.74%)
3.	National Commercial Bank Jamaica Limited	\$2.09	(\$0.16)	(7.11%)

Table 3: Best three (3) performing stocks for October 2011

	Security	Closing Price	Monthly Change (\$)	Monthly Change (%)
1	Jamaica Money Market Brokers	\$0.76	\$0.06	8.57%
2.	Neal & Massy Holdings Limited	\$45.89	\$2.89	6.65%
3.	Point Lisas Industrial Port Development Corp.	\$4.80	\$0.28	6.19%

Table 4: Worst three (3) performing stocks for October 2011

	Security	Closing Price	Monthly Change (\$)	Monthly Change (%)
1.	Sagicor Financial Corporation	\$8.01	(\$0.77)	(8.77%)
2.	Angostura Holdings Limited	\$7.98	(\$0.76)	(8.70%)
3.	GraceKennedy Limited	\$4.05	(\$0.19)	(4.48%)

Trading Activity

September 2011

There was a considerable decline in trading activity on the Exchange for the month of September 2011 compared to the previous month. As already mentioned in the last market activity report for the period August 2011 a single transaction on the Exchange during the month of August 2011 accounted for the bulk of trading volumes (99 percent) in that period: NCB Jamaica Limited purchased 428 million JMMB shares which were previously held by Clico Investment Bank (CIB). Trading in the JMMB shares resumed to normal levels during the month of September 2011. Activity on the Exchange in terms of both volume and value of shares traded during the month of September 2011 still remained relatively high compared to the same period a year earlier. (See **Table 5**).

Trading activity was concentrated around few stocks: Two (2) shares, NCB Jamaica Limited and Angostura Holding Limited accounted for 74 percent of the total volume of shares traded whilst the bulk of the trading values occurred amongst three (3) stocks, Angostura Holdings Limited, Ansa Merchant Bank Limited and NCB Jamaica Limited each accounting for 38 percent, 18 percent and 17 percent of the aggregate value of trades respectively. A breakdown by sector revealed that the stocks within the Banking Sector were the volume leaders in September 2011 whilst the Manufacturing I companies accounted for the largest value of trades by sector.

Table 5: Monthly and Yearly Comparison of Trading Values and Volume: September 2011

Volume/ Value	Aug-11	Sep-11	Sept-10	MOM change (\$)	MOM % change	YOY Change (\$)	YOY % change
Volume of Trading	475,016,427	23,561,906	3,325,003	(451,454,521)	(95%)	20,236,903	608%
Value of Trading (\$)	226,548,491	137,719,032	36,139,646	(88,829,459)	(39%)	101,579,386	281%
Average Daily Volume	22,619,830	1,121,995	158,333	(21,497,835)	(95%)	963,662	608%
Average Daily Value (\$)	10,788,023	6,558,049	1,720,935	(4,229,974)	(39%)	4,837,114	281%

October 2011

Consistent with the bearish sentiment in the market there was a marked decline in the level of trading activity in October 2011 compared to September 2011. Aggregate trading volumes and values declined by 89.8 percent and 69 percent respectively.

Table 6: Monthly and Yearly Comparison of Trading Values and Volume: October 2011

Volume/ Value	Sep-11	Oct-11	Oct-10	MOM change (\$)	MOM % change	YOY Change (\$)	YOY % change
Volume of Trading	23,561,906	2,395,514	3,494,415	(21,166,392)	(89.8%)	(1,098,901)	(31.4%)
Value of Trading (\$)	137,719,032	42,713,661	104,831,473	(95,005,371)	(69%)	(62,117,812)	(59.3%)
Average Daily Volume	1,121,995	119,775	166,401	(1,002,220)	(89.3%)	(46,626)	(0.28%)
Average Daily Value (\$)	6,558,049	2,135,683	4,991,975	(4,422,366)	(67%)	(2,856,292)	(57.2%)

Bond Market Activity

Primary Bond Market: September – October 2011

There was one bond issue over the September – October 2011 period; this bond issue emanated from the public sector. On October 25, 2011 the National Insurance Property Development Company Limited (NIPDEC) ⁴ issued a TT\$500,000,000 6.05 percent fixed-rate bond due October 25, 2026.

To date there has been no government bond issues. Notwithstanding the lack of government bond issues, however, the public sector dominated the primary bond market in the ten (10) months to October 2011. For the year to date, there have been four (4) bond issues from the public sector⁵ and one (1) issue from the private sector. The largest bond issue for the year to date emanated from the public sector: a TT\$1.3 billion bond issue by the Water and Sewerage Authority (WASA) on March 28, 2011. **Table 7** shows the composition of the bond issues for the ten month period ending October 2011.

Table 7: Bond Issues on the Primary Bond Market by Sector: 2010- 2011

Sector	Jan – October 2011		Jan – October 2010	
	No. of issues	Value of issues (TT\$)	No. of issues	Value of issues (TT\$)
Private Sector	1	\$1,000,000,000	3	\$976,000,000
Public Sector of which:	4	\$2,673,900,000	7	\$6,557,600,000
Central Government	0	\$0	3	\$4,793,800,000
State Enterprises	4	\$2,673,900,000	4	\$1,763,800,000
Total (Public and Private)	5	\$3,673,900,000	10	7,533,600,000

⁴ NIPDEC is a private limited company that is wholly owned by the Government of Trinidad and Tobago. For the purposes of this section it is treated as public sector entity.

⁵ These comprised state enterprises and state-owned companies

Secondary GORTT Bond Market

September - October 2011

There was a marked pick-up in trading on the secondary market for GORTT bonds in September 2011. There were four (4) trades on the secondary bond market during the month with an aggregate value of TT\$36,964,069. This represented a significant leap from the previous month where there was a single trade which was valued at TT\$105,000.

The secondary market maintained this high level of trading in October 2011. During the month there were ten (10) trades, which represented the largest number of trades for the year to date, with a cumulative value of TT\$41,822,945.

Due to the absence of GORTT bond issues in 2011 trading on the secondary bond market in 2011 was considerably lower than in the previous year. For the year to date, there were forty (40) trades with a cumulative value of TT\$168,473,807 compared to the same period in 2010 when the market witnessed a total of 101 trades which had a value of TT\$1,756,468,480.

Jamaica Stock Market

The Jamaican stock market faltered in September 2011 when the JSE Market Index fell by 2.06 percent. However, the market proved resilient as the JSE Market Index staged a sharp turnaround to advance by 3.81 percent in October 2011. The JSE Market Index advanced by 11.43 percent for the year, the second best performance of the three regional Exchanges.

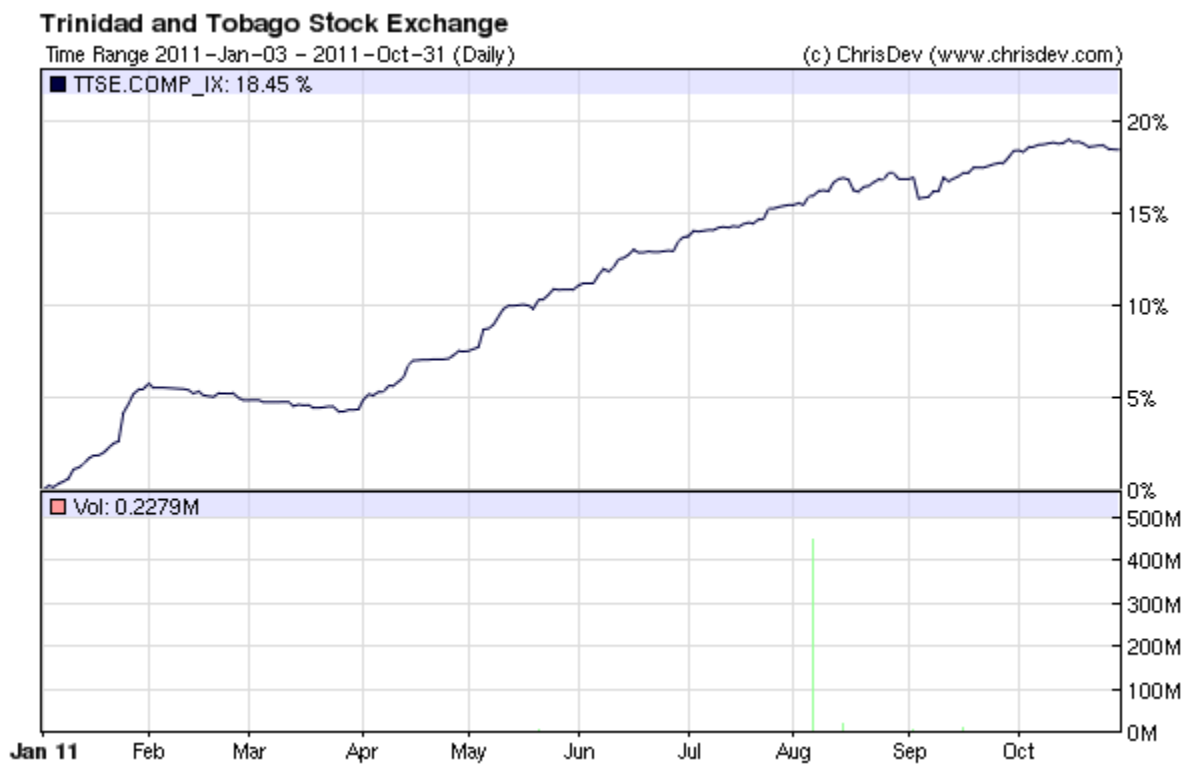
The performance of the Jamaican stock market in 2011 has improved significantly from the previous year when the JSE Market Index recorded a marginal 0.06 percent gain over the ten months to October 2010. During this earlier period the market struggled to reverse the losses suffered in the beginning of the year when uncertainty over Jamaica's Debt Exchange programme (JDX) weighed heavily on investor sentiment and later prompted a series of downgrades on Jamaica's sovereign credit from the three major international credit rating agencies. Recent developments in Jamaica's labour market involving wage increases for public

sector workers⁶ may cast doubt over Jamaica's ability to meet its fiscal targets under the IMF Stand-By Arrangement⁷ and may cause such concerns to resurface.

However, for the time being, market conditions appear to be stable. Out of the forty (40) stocks on the JSE there were twenty nine (29) advances, five (5) declines and six (6) stocks trading firm during the month of October 2011.

The advances in October 2011 occurred on smaller trading volumes and values: the cumulative volume trades declined by 43.8 percent in October 2011 while trading values declined from J\$2.02 billion in September to J\$1.43 billion in October 2011.

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



⁶ BMI Economic Analysis – Wage Increase Signals Fiscal Health Decline – September 19, 2011

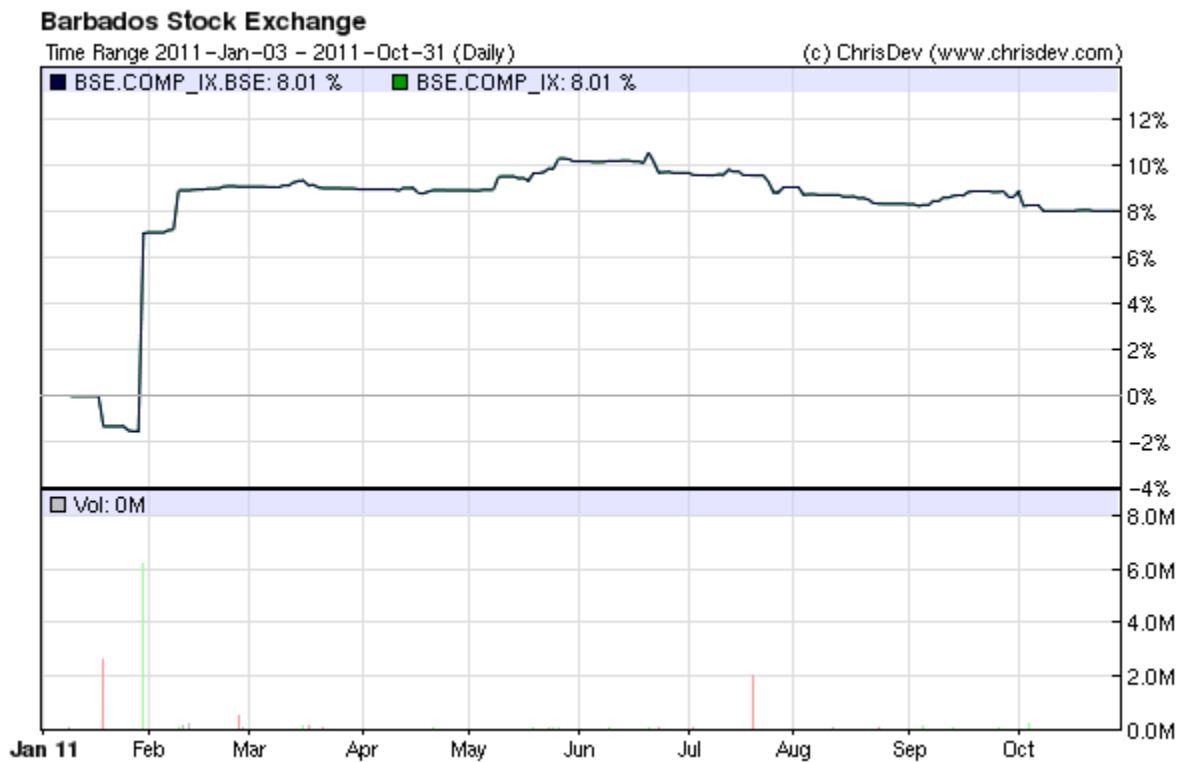
⁷ In 2009 the Government of Jamaica entered into a 27-month Stand-By Arrangement with the IMF in the amount of US\$ 1.27 billion geared towards reducing its public debt and fiscal deficit.

Barbados Stock Market

The BSE Composite Index decreased by 0.27 percent over the two month period, September to October 2011 and recorded an overall gain of 8.01 percent for the year-to-date. The performance of the Barbados stock market in 2011 represented a marked improvement over its performance in last year when the BSE Composite Index was down by 9.02 percent at the end of October 2011.

The performance of individual stocks on the Exchange underscored the bearish mood of the market: out of the twenty four (24) listed stocks, the vast majority (seventeen (17)) traded firm, five (5) advanced and two (2) declined during the month of October 2011.

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



International Developments

After a dismal performance in September 2011 global equity markets rallied in October 2011 following the announcement of a wide-ranging package of measures agreed by European Leaders⁸ to contain the euro-zone's sovereign debt crisis and restore confidence in the European banking and financial system. These proposals involved:

1. Write-downs on Greek debt - private investors in Greek government debt will take a voluntary⁹ 50 percent write down (haircut) on the value of their holdings.
2. Widening of the European Financial Stability Facility (EFSF) – the Fund will be increased to US\$1.4 trillion (TT\$ 8.9 trillion).
3. Bank recapitalization plan - European banks will be required to temporarily increase their Tier 1 capital¹⁰ ratios up to 9 percent.
4. A debt reduction plan which will reduce Greece's public debt-to-GDP ratio to 120 percent by 2020

These measures were viewed by investors as critical steps to a resolution of the European debt crisis and, as such, the announcement had an immediate impact globally across the developed and emerging markets. (See **Table 8**)

During the month of October 2011 the developed markets of Europe and the United States outperformed the emerging markets, particularly the Asian markets. The German Dax posted the largest gain (15.61 percent) of the major indices for the month of October 2011. The Asian market indices, the Nikkei 225 Index (Japan) and the SSE Composite Index (China) posted the smallest gains for the period, 4.91 percent and 4.45 percent respectively. The lackluster performance of these two markets occurred against the background of a fragile economy in Japan that is still recovering from the natural disasters experienced earlier in the year and the recent slowdown in the Chinese economy.

⁸ EU Summit held in Brussels on October 28, 2011.

⁹ "An involuntary write-down could have potentially constituted a "credit event" that would have required the payout on billions of euros in credit default swaps, instruments used to insure debt against non-payment." – www.marketwatch.com

¹⁰ Highest quality capital - common stock and disclosed reserves (or retained earnings).

Table 8: Performance of Major Stock Market Indices.

Market Indices	% Change October 2011	% Change September 2011	% Change for the Year- to-date
Dow Jones Industrial Average (US)	9.56%	(6.02%)	3.26%
Nikkei 225 (Japan)	4.91%	(2.85%)	(13.17%)
FTSE 100 (London)	8.11%	(4.93%)	(6.03%)
Dax (German)	15.61%	(4.90%)	(11.93%)
Bovespa (Brazil)	11.50%	(7.38%)	(15.83%)
SSE Composite Index(China)	4.45%	(8.11%)	(12.64%)
BSE Sensex (India)	8.91%	(1.34%)	(14.14%)