



## **TRINIDAD AND TOBAGO SECURITIES AND EXCHANGE COMMISSION**

### **MARKET ACTIVITY REPORT**

**October 2012**

#### **Economic Overview**

In its latest repo rate announcement the Central Bank of Trinidad and Tobago (CBTT) stated that Headline Inflation slowed for the fourth consecutive month in September 2012 to 7.7 percent, down from 7.9 percent in August 2012, on account of the continued deceleration in food prices. The recent easing of inflationary pressures observed since August 2012 has provided the CBTT with the needed space to stimulate economic activity through reductions in the repo rate. The repo rate was reduced from 3.00 percent to 2.75 percent in September 2012 and the CBTT has opted to maintain this rate of 2.75 percent in October 2012.

In its latest Monetary Policy Report released in October 2012, the CBTT indicated that the economy contracted by 3.6 percent (year-on-year) in the second quarter of 2012 mainly on account of the protracted slowdown in the energy sector due to continued maintenance operations. The sluggishness in the domestic economy has been manifested in reduced demand for loans on the part of consumers and businesses although there have been some signs of a recovery in credit demand in 2012. This recovery has been evident in the business and real estate mortgage sectors which registered increases of 2.30 percent (year-on-year) and 10.3 percent (year-on-year) in August 2012. However, the pick-up in borrowing activity has done very little to reduce the liquidity overhang in the financial system. Despite a TT\$2.5 billion bond issue by the Central Government in September 2012 to settle government liabilities, commercial banks' excess reserves at the Central Bank rose in October 2012, from a daily average of TT\$1,341 million on October 1, 2012 to TT\$2,705 million on October 31, 2012. The persistent high levels

of liquidity in the economy have kept short term interest rates at record levels with the 3-month treasury bill rate measuring 0.53 percent on October 24, 2012.

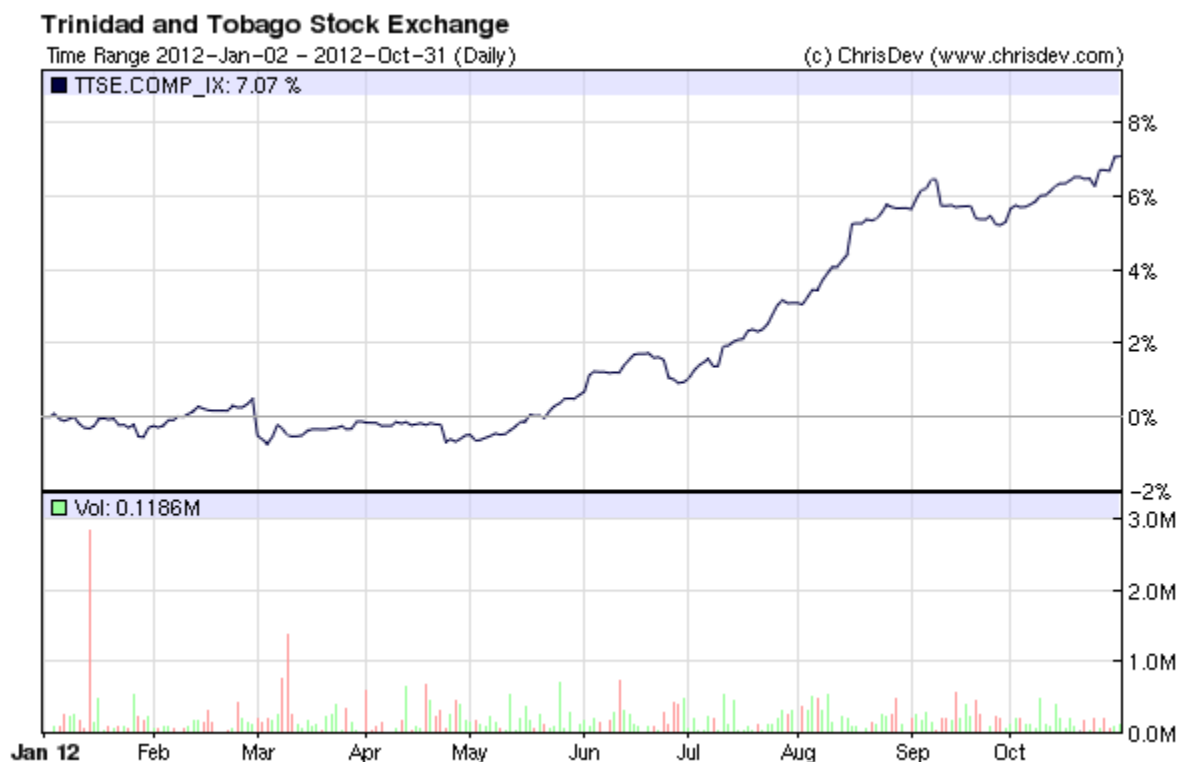
The CBTT projects real GDP growth of 1 percent in 2012 followed by growth of 2.5 percent in 2013 due in the main to a resurgence of activity in the energy sector following the completion of maintenance operations coupled with public investment projects which are due to come on stream in the coming months.

### **Stock Market Performance**

The TTSE Composite Index increased by 1.69 percent during the month of October 2012 to close at 1084.4, an improvement from the previous month when the market was down by 0.36 percent. Notwithstanding the uptick in stock prices for the month of October 2012 the performance of stock market has been sluggish for the year to date with the TTSE Composite Index increasing by 7.07 percent for the first ten (10) months of the year, considerably lower than the 18.45 percent gain registered for the corresponding period in 2011. After a relative flat performance for the first two (2) quarters of the year when the TTSE Composite Index registered a marginal gain of 0.94 percent the market gained momentum in the third quarter with the TTSE Composite advancing by 4.22 percent in the three (3) months to September 2012.

In keeping with the trend in the previous month locally domiciled stocks outperformed their regional counterparts during the month of October 2012: the All T&T Index advanced by 2.36 percent while the Index of cross-listed companies posted a marginal decline of 0.43 percent in October 2012, which compared favourably to its 5.25 percent decline in September 2012. The improvement in the performance of the Cross-Listed Index during the month of October 2012 could be attributed to two (2) Jamaican cross-listed securities Jamaican Money Market Brokers Limited (JMMB) and National Commercial Bank Jamaica Limited (NCBJ). The JMMB and NCBJ shares declined by 14.86 percent and 8.57 percent respectively in the September 2012; in October 2012 the JMMB registered a modest decline of 1.59 percent while the NCBJ share traded firm.

**Figure 1: TTSE Composite Index for the period January to October 2012**



Market activity in October 2012 resulted from trading in twenty nine (29) stocks, with advances just narrowly edging out declines. Out of these twenty nine (29) stocks, ten (10) advanced, nine (9) declined and ten (10) traded firm. The improvement in the TTSE Composite Index in October 2012 occurred against more moderate price increases and declines amongst listed stocks compared to September 2012. The advances for the month of October 2012, which were led by Prestige Holdings Limited (7.40 percent), ranged from 3.26 percent to 7.40 percent while the advances for the month of September 2012 ranged from 1.11 percent to 10.84 percent and were led by Unilever Caribbean Limited. **See Table 1**

**Table 1: Top five (5) performing stocks for October 2012**

	<b>Security</b>	<b>Closing Price</b> <b>(\$)</b>	<b>Monthly Change</b> <b>(\$)</b>	<b>Monthly Change</b> <b>(%)</b>
1	Prestige Holdings Limited	9.00	0.62	7.40
2.	The West Indian Tobacco Company Limited	79.10	4.77	6.42
3.	Agostini's Limited	16.00	0.63	4.10
4.	Republic Bank Limited	109.69	4.18	3.96
5.	National Enterprises Limited	15.50	0.49	3.26

The declines for the top five (5) worst performing stocks over the month of October 2012 ranged from 0.02 percent for National Flour Mills to 0.15 percent for Trinidad Cement Limited. This compared favourably to the previous month which witnessed much larger price decreases for the top five (5) worst performing stocks ranging from 8.27 percent for Guardian Holdings Limited to 15.05 percent for Readymix (West Indies Limited).

The improvement in the performance of the local stock market over the month of October 2012 appears to be influenced mainly by the reduced volatility in trading amongst listed companies compared to September 2012. (See **Table 2**)

**Table 2: Worst five (5) performing stocks for October 2012**

	<b>Security</b>	<b>Closing Price (\$)</b>	<b>Monthly Change (\$)</b>	<b>Monthly Change (%)</b>
1.	Trinidad Cement Limited	1.75	(0.15)	(7.89)
2.	Grace Kennedy Limited	3.75	(0.24)	(6.02)
3.	Point Lisas Industrial Port Development Corporation	4.09	(0.16)	(3.76)
4.	One Caribbean Media Limited	15.50	(0.47)	(2.94)
5.	National Flour Mills Limited	0.66	(0.02)	(2.94)

### **Trading Activity**

Despite the uptick in the TTSE Composite Index over the month of October 2012 there was a decline in trading volumes on the TTSE: the volume of shares traded on the TTSE fell to 3,276,263 in October 2012 from 4,232,662 in September 2012, a decrease of roughly 23 percent. Notwithstanding the decline in trading volumes the value of shares exchanging hands rose by 1 percent to TT\$69,100,454 for the month of October 2012. (See Table 3). The apparent anomaly in trading volumes and values in October 2012 can best be explained by examining the trading pattern of the Republic Bank Limited (RBL) share over the same period. The volume and value of RBL shares traded rose significantly in the month of October 2012 compared to the previous month: RBL trading volumes more than tripled from 87,487 in September 2012 to 290,497 in October 2012 while the trading values of RBL shares also experience a three-fold increase from TT\$9,147,978 in September to TT\$31,829,097 in October 2012. Given the high valuation of the RBL share (TT\$109.60 at the end of October 2012) trading in this share significantly impacted the value of shares traded on the Exchange and had far less influence on trading volumes: the RBL share accounted for roughly 46 percent in aggregate trading values on the TTSE but only accounted for nine (9) percent in the aggregate volume of shares traded on the Exchange. The surge in trading activity in the RBL share in October 2012 can be attributed to the heightened

investor interest in the share ahead of the launch of the CLICO Investment Fund on November 1, 2012. The Fund would have an asset base of TT\$5.10 billion and would comprise of roughly 70 percent RBL shares or 40,072,299 RBL shares.

**Table 3: Monthly and Yearly Comparison of Trading Values and Volume: October 2012**

Volume/ Value	September-12	October-12	October-11	MOM change (\$)	MOM % change	YOY Change (\$)	YOY % change
Volume of Trading	4,232,662	3,276,263	2,395,514	(956,399)	(23)	880,749	37
Value of Trading (\$)	68,094,191	69,100,454	42,713,661	1,006,263	1	26,386,793	62
Average Daily Volume	222,772	142,446	119,776	(80,326)	(36)	22,670	19
Average Daily Value (\$)	3,583,905	3,004,367	2,135,683	(579,538)	(16)	868,684	41

## **Bond Market Activity**

### **Primary Bond Market**

On October 31, 2012 the Urban Development Corporation of Trinidad and Tobago (UDECOTT) issued a TT\$213 million 8-year fixed rate bond with a coupon rate of 3.35 percent. The bond which is due on October 31, 2020 was oversubscribed, with bids received amounting to TT\$531.016 million. Given this overwhelming demand the bond was allotted at a premium with a price of \$103.19 per \$100 face value and offered investors a yield to maturity of 2.90 percent.

### **Secondary GORTT Bond Market**

There was a slowdown in trading activity in the secondary bond market during the month of October 2012 compared to the previous month. The number of trades fell to six (6) in October from eight (8) in the previous month while there was a sharp fall-off in trading values which declined by 40 percent to TT\$20.8 million in October 2012 from TT\$35.06 million in September

2012. Trading activity on the secondary bond market for the first ten (10) months of the year resulted in seventy four (74) trades with an aggregate traded value of TT\$986.38 million.

## **Market Developments**

### Acquisition

#### **Sagicor Financial Corporation (SFC)**

On September 28, 2012 Sagicor Life Insurance Company (Sagicor USA) announced the completion of its acquisition of a Washington-based company, PEMCO Life Insurance Company (PEMCO Life).

#### **GraceKennedy Group**

On October 10, 2012 the GraceKennedy Group announced its acquisition of the 33 1/3 percent interest of the minority shareholder in GraceKennedy (Belize) Limited effective September 28, 2012. This transaction resulting in GraceKennedy Group acquiring full ownership of GraceKennedy (Belize) Limited.

## **Regional Developments**

### **Jamaica Stock Market**

The Jamaican stock market continued its positive run in October 2012 with the JSE Market Index advancing by 2.97 percent to close at 89,821.80 at the end of the month. This increase marked the third consecutive monthly gain in the JSE Market Index. This recent rally in Jamaican equities, however, has not been sufficient to pull the market out of negative territory and for the year to date the JSE Market Index was down by 5.75 percent, the worst performance of the three (3) regional stock exchanges. **(See Figure 2.)**

The advance/decline ratio of listed companies on the Jamaica Stock Exchange (JSE) shows that market sentiment may have been more subdued than the performance of the JSE Market Index would suggest: Out of the thirty-three (33) stocks that traded, eighteen (18) declined, ten (10) advanced and five (5) traded firm.

**Figure 2: JSE Market Performance of the JSE Market Index: January to October 2012**



### **Barbados Stock Market**

Following a brief spike last month the BSE Composite Index slipped back into negative territory registering a 0.12 percent decline for the month of October 2012. The Barbados stock market was relatively flat save for two (2) short periods of volatility on October 2, 2012 when the BSE Composite Index declined by 0.05 percent on a single day's trading and again over the period October 23 -25, 2012 when the BSE Composite Index fell by 0.07 percent.



**Figure 3: Performance of the BSE Composite Index: January to October 2012**



### International Developments

Global equity markets ended mostly in negative territory at the end of October 2012 shedding the gains from the previous month. The declines were felt across developed and emerging markets alike with the decreases ranging from 0.33 percent for the German DAX to 4.20 percent for the Brazil IBovespa.

The Dow Jones declined by 3.10 percent in October 2012 as investors reacted to the effects of Hurricane Sandy which forced a two-day shutdown of US Exchanges over the period October 29 – 30, 2012. A disappointing third-quarter earnings season for listed firms also weighed heavily on investor sentiment. Better than expected US macroeconomic data, however, provided little impetus to the markets: the US economy grew at an annualized rate of 2 percent in the third quarter of 2012 up from 1.3 percent in the second quarter.

Amongst the Asian markets, Japan's Nikkei 225 recorded the best performance for the month advancing by 1.50 percent in October 2012, up from the 0.98 percent in September. India's BSE

Sensex recorded a monthly decline of 1.69 percent in sharp contrast to its performance in the previous month when the Index advanced by 7.93 percent, the best performance of the global indices. Despite this recent slump the BSE Index percent has enjoyed an impressive run for the year to date and was up 19.25 percent at the end of October 2012.

European stock market Indices markets were impacted negatively by the continued fragility of the European banking sector and news of a downgrade of major French bank, BNP Paribas SA. The rating agency, Standard & Poor's downgraded the bank by one notch to A+ and placed the ratings of several other French banks under negative watch. European markets were also focused on the problems facing Spain as the Spanish economy sank deeper into recession in the third quarter of 2012, its second recession since 2008. Spain's GDP declined by 1.6 percent (year-on-year) in the third quarter of 2012 after contracting by 1.4 percent (year-on-year) in the second quarter. This marked the fourth straight quarter of contractions in the Spanish economy which has been weakened by the effects of the Government's austerity programme and the consequent cuts in public spending. Spain's unemployment level also reached a new record in the third quarter of 2012 at 25.02 percent up from 24.6 percent in the previous quarter. Amidst the continued deterioration of the Spanish economy, there was much anticipation on the part of investors for the Spanish Government to seek a 'bailout' to counter its rising public debt and stabilize its banking sector. Spain has thus far resisted calls to seek international aid. Despite the problems facing Spain, the Spanish benchmark index, the Ibex 35 recorded a 0.76 percent gain over the month of October 2012, although the Index was down by 10.10 percent for the year to date.

**Table 4: Performance of Major International Stock Market Indices<sup>1</sup>.**

<b>Market Indices</b>	<b>% Change October 2012</b>	<b>% Change September 2012</b>	<b>% Change for the Year-to- date</b>
BSE Sensex (India)	(1.69)	7.93	19.25
Dax (Germany)	(0.33)	2.87	17.74
Dow Jones Industrial Average (US)	(3.10)	3.08	5.64
Nikkei 225 (Japan)	1.50	0.98	5.59
FTSE 100 (UK)	(0.46)	(0.28)	1.49
IBovespa (Brazil)	(4.20)	3.31	(1.32)
Ibex 35 (Spain)	0.76	4.90	(10.10)

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<sup>1</sup> The SSE Composite Index (China) was excluded due to an unavailability of data for the period October 12 - 31, 2012.