Port of Spain:
Tel: (868) 623-7815
Fax : (868) 624-4544
San Fernando:
Tel: (868) 657-CMMB
Fax: (868) 653-4871
www.mycmmb.com

Fixed Income Quarterly

July 2003

CARIBBEAN MONEY MARKET BROKERS LTD.

Contents:

Economic Outlook

1 World Economic Report

4 Trinidad and Tobago Quarterly Review and Outlook

Money Market Review

7 Local Money Market Review

Current Issues

9 Reforming the Financial Architecture of T&T

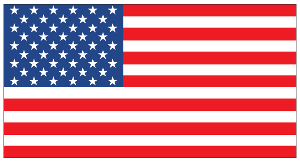
Country Risk Reports

13 Grenada

18 United Mexican States

Disclaimer: The information in this document has been obtained from and is based on sources that CMMB believes to be reliable. CMMB is not liable for any inaccuracies. All opinions and estimates constitute CMMB's judgment as of life date of title report and are subject to change without notice. This document does not constitute as an offer to buy or sell any securities. CMMB and/or its employees or directors as well as its affiliates and consultants may have long or short positions in securities or companies referenced in the Market Information and may, as principal or agent, buy from or sell to customers. From time to time, CMMB may perform services for or solicit such services from, companies mentioned in the Market Information. From time to time, CMMB or a Third Party Provider may be unable to provide Market Information with respect to certain companies with which CMMB or the Third Party Provider or their affiliates have certain business relationships. CMMB may have underwritten a public offering of, or acted as initial purchaser or placement agent for a private placement of, any of the securities of any issuer mentioned.

WORLD ECONOMIC REPORT



UNITED STATES OF AMERICA

Economists seem to be in unison about the significant potential for economic recovery in the US, but they remain sharply divided as to the timing of the upswing. Fiscal and monetary policy have been expansionary, yet the economy grew by a mere 1.9% in the first quarter. The current economic climate reveals a mixed bag of data.

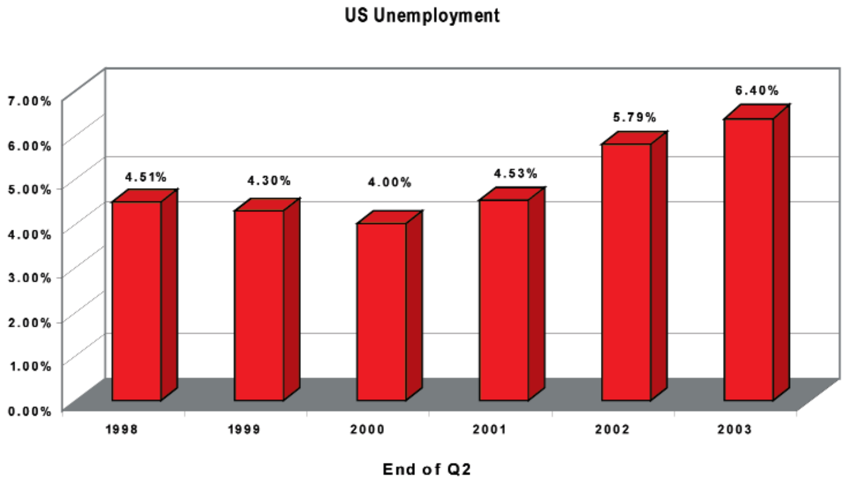
Demand has been sluggish as evidenced by the numbers on the nation's factories, whose capacity utilisation has been 74.3% as at May, compared to an average of 82.7% in the five years before the beginning of the recession. Investment as measured in the purchases of equipment and software fell by 14.7 billion or 6.3% on an annualised basis. The national unemployment rate now stands at 6.1% with 17,000 jobs lost in May alone. Over the past six months, this economy has lost 324,000 jobs. Sluggish aggregate demand, excess capacity and poor investment has the potential to unleash deflationary pressures in the economy.

The US Federal Reserve (Fed) has admitted the potential for a deflationary meltdown — its stance has been to defend the price levels in the economy. "We will lean over backward to ensure we control deflationary forces," says Alan Greenspan, Chairman of the Fed.

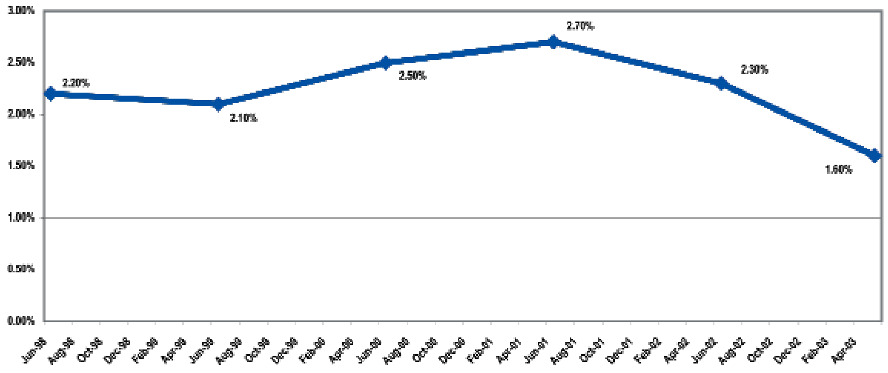
The level of consumer demand for durable goods is just not enough to keep a constant flow of orders to the nation's factories.

In fact, on 25 June, 2003, Mr. Greenspan reduced the Federal Funds rate by another 25 basis points to a 45-year low to boost economic growth and to ward off deflation. This was deemed necessary given that the 1.5% core inflation rate as at end of May was the lowest since 1966.

The sluggishness in the economy is also being addressed by legislature as evidenced in by a $330 billion tax cut, ostensibly to provide a fiscal stimulus. This was considered necessary as the economic news remains ambiguously good at best. For example,



US CPI ex Food and Energy



durable goods orders in May fell to an unexpected low, casting doubt as to the extent of business confidence.

However, there is some positive news amidst fears of deflation. Despite the lull in business growth, the low interest rates are precipitating a housing boom in the US. Single-family home sales increased by 12.5% from a 1.028 million to a 1.157 million rate as at the end of April. The low interest rates combined with the weakened dollar is also expected to give a boost to manufacturing, as goods become relatively cheaper on the international market. Unemployment claims also fell to a five-week low last week. Consumer confidence, as measured by the six-month forecast of the economy, increased to 95.9, the highest since 94.5 in September 2002. This has no doubt been driven by the recent gains in certain parts of the US stock market. For example, the Standard & Poor's index has already risen by 10.5% this year, compared to losses over the past two years.

All in all, US economic growth is predicted to accelerate to 3.3% in the third quarter and 3.5% in the fourth quarter, up from 1.9% in the first three months of the year. The role of monetary policy remains that of keeping prices up to encourage the nascent recovery.

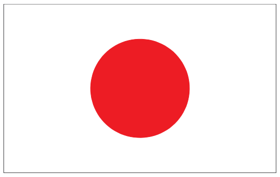
EURO ZONE

Meanwhile, the German government plans to issue 56 billion euros in bonds, some 7 billion euro more than planned. This is to fund a widening budget deficit that is expected to exceed the European Union's limit of 3% of Gross Domestic Product, similar to the 3.6% of GDP last year. So far, the number of people out of work has increased in 13 of the 14 months to May, carrying unemployment to a 4.5 year high. The Minister of Economy has stated that there will be "little more than zero percent" growth in 2003. This is worrying for an economy that makes up almost one-third of the Euro Zone's GDP. However, since the last interest rate cut by the European Central Bank, the level of consumer sentiment as measured by the Munich-based IFO Institute Index rose for a second month to 88.8 from 87.6 in May. There is also the prospect of a stimulus from the lowest interest rate environment for the past fifty years in 12 of the Euro Zone countries. This, combined with the projected second half pick-up in the US, where a fifth

The German government plans to issue 56 billion euros in bonds to fund a widening budget deficit.

of Europe's exports originates, may spark some recovery in growth. However, the euro's 18% gain against the dollar in the past year may hurt a recovery in the export sector.

In other areas of the Euro Zone, the Bank of France estimates that the French economy, the third-largest in the region, did not grow in the second quarter. Italy's economy shrank in the first quarter and consumer confidence sank to a six and a half year low in June. Economists expect that the unemployment rate in April would be posted at 9.1%, the highest in a year. However, if the stock market is a leading indicator of economic growth, a promising recovery seems to be on the horizon in Europe, given the improvement in consumer confidence and the recent halt of the euro's appreciation against the dollar. This may be signaled by the German Dax Stock Index, which has increased 22% in the past three months while Europe's Dow Jones Stoxx Index has increased by 9% in the same period.



JAPAN

Japan's unemployment rate remained at 5.4% in May, although it was expected to increase to 5.5%. Still, the world's second-biggest economy had 3.61 million people out of work in May. Worse, a government report showed that spending fell by a seasonally adjusted 2.2% in May from April. Consumer spending accounts for 55% of the economy and increasing lay-offs by businesses may interrupt the country's five consecutive quarters of growth so far. However, there is some positive news to be had. Last week the yen registered its biggest drop against the dollar since 19 March (1.1% to 119.37), showing encouraging signs that this could expand the country's export thrust. Japan's industrial production also increased by a seasonally adjusted 2.5% in May from April, led by automobile and semi-conductor manufacturing. The biggest risks remain deflation and a further fall in consumer spending. This is made worse by the fact that interest rates in Japan are now virtually zero percent.

CONCLUSION

In conclusion, it appears that economists are the most optimistic about their own predictions. They have been predicting the recovery of the world economy for some time now, yet it has not materialised. While there are some signs of a potential recovery, it is by no means a foregone conclusion. However, the unwarranted optimism that exists may not be such a bad thing, as the greatest challenge to the recovery in these countries remains the ability to regenerate the level of business and consumer confidence. Let's hope the pervading optimism amongst economists is infectious. ■

Economists are the most optimistic about their own predictions. They have been predicting the recovery of the world economy for some time now, yet it has not materialised.

TRINIDAD AND TOBAGO REVIEW

Baa3 STABLE BBB STABLE

OVER THE PAST QUARTER, Trinidad and Tobago has continued to buck the trend amid a global environment of economic downturn and turmoil witnessed by events such as the war on Iraq, a continuously sluggish US economy and the outbreak of the SARS epidemic.

However, despite all these global misfortunes, Trinidad and Tobago has uniquely been able to attain some positive results which culminated in an upgrade in its long-term foreign currency sovereign rating by Standard and Poor's from BBB- to BBB. The future prospects for the economy look even brighter, given the signing-off of its 4th Liquefied Natural Gas (LNG) Plant, the largest of its kind in the world.

S&P UPGRADE

On 4 April, 2003, S&P upgraded Trinidad and Tobago's long-term local currency sovereign credit rating from BBB+ to A- and its long-term foreign currency sovereign rating from BBB- to BBB. Since the beginning of 2002, only two other sovereign ratings in the Americas (Dominion of Canada and United Mexican States) have been raised, indicative of the resilience of the local economy. Some reasons for the upgrade were:

- continued improvement in Trinidad and Tobago's debt and liquidity indicators
- expected implementation of plans to rationalise inefficient public sector entities
- a booming energy sector

Currently, Trinidad and Tobago's interest burden accounts for approximately 16% of general government revenues, representing more than twice that of the BBB median. Heavy borrowing by state enterprises in 2001 resulted in the Debt to GDP ratio rising from 59% in 2000 to approximately 66% in 2001, surpassing the recommended ceiling of 60% suggested by the EMU. Despite the heavy debt servicing, the government, as part of its strategy for the current fiscal year, embarked on a programme to refinance high-cost debt, taking advantage of the historic low interest rate environment. They have commenced exercising the embedded call options on these highly expensive local currency debt, replacing them with lower cost debt via a series of local auctions. This process was continued over the past quarter in the form of a TT $500 million amortised bond issue with structured tenors of 10 and 15 years at yields of 6.10% and 6.40% respectively.

Heavy borrowing by state enterprises in 2001 resulted in the Debt to GDP ratio rising from 59% in 2000 to approximately 66% in 2001, surpassing the recommended ceiling of 60% suggested by the EMU.

This follows issues earlier in the year, such as the Water & Sewerage Authority TT$413 million, 10-year government-guaranteed note as well as a Caroni (loss-making sugar company) TT$518.5million, 12-year government-guaranteed note which were issued at significantly low yields of 6.75% and 7.125% respectively. Another TT$500 million Central Government bond will be issued shortly with yields of 5.9% and 6.1% for 10 and 15 years respectively. Bids on smaller government agency issues are also in the pipeline, thus providing further support for the government's intent on lowering the country's future interest burden. Given that the majority of the new issues are of a fixed rate structure, the government has also effectively neutralised interest rate risk on domestic debt by locking in a relatively low rate of financing for the next ten to fifteen years.

Linked to the current high interest burden is the debt incurred on behalf of inefficient state enterprises, in particular Caroni 1975 Limited and BWIA West Indies Airways.

RATIONALISATION OF THE PUBLIC SECTOR

Linked to the current high interest burden is the debt incurred on behalf of inefficient state enterprises. The restructuring of Caroni 1975 Limited, the ailing sugar company, has always been a contentious issue. Over the past quarter, the current administration has been making serious efforts to advance the rationalisation of this inefficient state enterprise. In fact, Standard & Poor's has commended the government on its efforts to reform inefficient enterprises— Caroni in particular. However, the trade-off between the economic benefits of rationalisation and the attendant social fallout is glaring. In the case of Caroni 1975 Limited, proper social support services are essential in aiding with the relocation process of approximately 10,000 employees who represent some 10% of the workforce in that sector.

Another popular case is that of BWIA West Indies Airways (BWIA). The government, being a 49% stakeholder in the airline, was again called in to rescue the ailing enterprise in May 2003, this time from the jaws of bankruptcy. The airline's creditors, International Lease Finance Company, caused quite a stir locally when they seized two of its aircrafts in Miami. Much debate subsequently ensued regarding the government's responsibility to the airline. The government has since granted a package to the beleaguered airline. Whether it is enough to save the airline only time will tell. What is known, however, is that the government's future debt load would not be aided by continuously having to bail out BWIA.

MID-YEAR REVIEW

Despite the BWIA bailout, the country's fiscal position remains encouraging. With the mid-year review completed, government revised its 2003 fiscal deficit to TT$568.4 million or 0.89% of GDP. This downward adjustment in the budgeted deficit arose due to a 2.4% increase in the country's revenue as well as a 2.7% decline in government spending.

Continued strong performance in the energy sector led by high oil prices (average price US$31 per barrel) as well as additional capacity from Atlantic LNG Train 2 and 3, all accounted for the increase in the government coffers for the fiscal year thus far. A delay in the execution of the government capital programme was the major reason for the decline in government expenditure. Acceleration in the expenditure programme is therefore expected for the remainder of the fiscal year 2002/03. To date, cabinet has sought approval to spend an additional 760 million, with 742 million directed towards the expenditure for government ministries and 18 million for the enhancement of salaries following the completion of the Salaries Review Commission report.

Notwithstanding the variations in government expenditure, the actual fiscal position is not expected to veer too far from its revised estimated deficit of 0.89% of GDP for fiscal year 2002/03.

THE ENERGY SECTOR

Trinidad and Tobago continues to be a world leader in the export of ammonia and methanol, and will soon join the ranks of the top 5 liquid natural gas (LNG) producers. In June 2003, the government approved the commissioning of Atlantic LNG Train 4 Plant. Natural Gas, in particular LNG, is the country's most important export commodity, and since 2000 it has emerged as the largest single contributor to government revenues. LNG production is currently estimated to account for over 7% of government revenues with Atlantic LNG Train 3 up and running.

A direct consequence of the continued energy production is the foreign direct investment (FDI) impact. In fact, from 1989 to 2001 it is estimated that a total of US$6 billion in FDI flows had seeped into the local economy, second only to the Dominican Republic in the Caribbean region. Future benefits from FDI are estimated at around US$8 billion over the next ten years, due primarily to the discovery of oil and gas reserves.

OUTLOOK

With strong revenue streams projected over the medium term, Trinidad and Tobago seems set to enhance its economic performance by encouraging further investment and spurring additional activity in the necessary downstream industries. Increased activity in these downstream industries should eventually translate into increased utilisation of idle resources, increased output, lower unemployment and strong economic growth. Analysts anticipate a 3.5% economic growth rate in 2003, while an even stronger performance is envisaged for 2004 at 4.5%. ■

Analysts anticipate a 3.5% economic growth rate in 2003, while an even stronger performance is envisaged for 2004 at 4.5%.

LOCAL MONEY MARKET REVIEW

Interest rates on the short-end of the funding curve continued to increase during the second quarter of 2003. This was attributable to seasonal factors, which resulted in a tightening of system liquidity.

INTEREST RATES ON THE SHORT-END of the funding curve continued to increase during the second quarter of 2003. This was attributable to seasonal factors, which resulted in a tightening of system liquidity, and was reflected in the 30-day repo rate, which averaged 4.5% as at the end of March, inching up by 100 basis points to end the second quarter at 5.5%. In fact, the TT dollar funding curve experienced a 100 basis point upward parallel shift, in tandem with the reduced money supply.

The short-end of the Government of Trinidad & Tobago (GOTT) Treasury curve also exhibited an upward movement. The 90-day Treasury bill averaged 4.94% compared to an average of 4.87% in the first quarter (Q1). Similarly, the 180-day Treasury bill discount rate appreciated by 5 basis points over the period. The increases in Treasury yields were symptomatic of dealers requiring higher yields in tandem with the heightened funding cost environment.

The Central Bank's monetary policy stance remained neutral over the past quarter. While Central Bank Notes continued to be issued to maintain control of the money supply, these were rollovers to replace the maturity of prior issues. There was thus no contractionary effect on money supply from regulatory intervention.

This wait-and-see approach by the Central Bank precipitated a non-parallel shift in the Treasury curve. While rates on short-term T-Bills experienced upward spikes, the rates on the longer end of the short-term maturity spectrum experienced declines. For example, the last issued Central Bank Note in March for 204 days was posted at a discount rate of 5.1%. However, in April the longer-term one-year Treasury note was issued at discount rates ranging between 5.23 and 5.4%. This is marginally lower than the 6%, three-year note issued in February. At the same time, the GOTT 5-year CEPEP Note was issued at a yield to maturity of 5.6875%. These on-the-run issues are clearly indicative of a downward translation between the 1 and 5-year maturity spectrum of the Treasury curve over Q2. This downward movement was also experienced in the medium-term segment of the Treasury curve. In April, there was an issue of $500 million in Government Bonds awarded at coupon rates of 5.9% and 6.1% for periods of 10 and 15 years respectively, compared to the 6.1% and 6.4% long-term bonds issued for ten and fifteen years respectively in Q1.

It is difficult to project the outlook for interest rates over the next three months. One scenario is that short-term rates may continue to climb, all things remaining constant. Given the TT$1.2 billion in awarded but undrawn Government debt, coupled with the current TT$1.3 billion in system liquidity, this is a high probability. However, the Central Bank has indicated that it would continue to support the current low interest rate environment, and it is possible that countervailing measures may be adopted to sustain an environment of excess liquidity. Whether another reduction in the Reserve Requirement may be adopted remains to be seen. The Central Bank Governor has indicated that the long-term outlook is for a further decline in interest rates. All in all, some further short-term tightening is expected in the next quarter, all things remaining constant.

TRINIDAD & TOBAGO US DOLLAR FIXED INCOME MARKET

Relative to the first quarter, interest rates in the Trinidad & Tobago US dollar fixed income market experienced a parallel shift of about 100 basis points. The 30-day repo rate increased by 100 basis points over the quarter to close the quarter at 5.25%, while the one year is now being quoted at 6.25%. Major oversees acquisitions over the quarter created a demand for US funds in the market. However, given the track record of the Central Bank of keeping the exchange rate at the 6.2999TT/US psychological level, this situation is expected to be reversed shortly. Over the past quarter, the Central Bank converted a total of US$96 million. This increase in interest rates on US dollars in the local market occurred despite the reduction in the Federal Funds rate in the United States, as local factors predominated.

Major oversees acquisitions over the quarter created a demand for US funds in the market. However, given the track record of the Central Bank of keeping the exchange rate at the 6.2999TT/US psychological level this situation is expected to be reversed shortly.

However, the Trinidad and Tobago Eurobonds reflected the falling interest rates in the United States as the holdings of these bonds now have a significant foreign component, thus more closely reflecting the interest rate environment in the international markets. Consequently, the 9.75% 2020 Eurobond appreciated in value from $124 in April to $133 in June, to yield 6.51%.

The decrease in yield was also reflective of the falling credit risk for the Trinidad & Tobago sovereign, given the upgrade in its long-term foreign currency credit rating from BBB- to BBB by Standard & Poor's in April 2003. This was further reflected in the Credit Derivative market, where the Trinidad and Tobago Credit Link Note security, which paid a coupon of 7.1% in March, was priced higher to yield 5.5% by the end of Q2. The tightening of the credit risk spread of Trinidad and Tobago bond over US Treasuries was reflected in the fall in yield in the credit default swap market.

During the next quarter, we expect T&T Eurobonds to hold their value. However, the risk remains of a correction in price given a decline in the prices of securities in the emerging market bond universe as funds begin to migrate back to the US stock market, which has been showing signs of recovery.

FOREIGN EXCHANGE MARKET

In the second quarter, the Central Bank registered net sales to the market of US$96 million. The weighted average selling rate in March was 6.29618, compared to June where the same rate was posted marginally higher at 6.29574, representing a small appreciation in the TT dollar.

The appreciation in the foreign exchange market by the TT dollar against the US dollar was driven by increased flows from the energy sector, which created an excess supply of US dollars.

We expect the local currency to strengthen further during the next quarter, given the forecasted inflows from the energy sector and other foreign direct investments in the gas sector. Apart from the fundamentals promoting such an appreciation, technical analysis has revealed that a strengthening of the local currency typical occurs after the second quarter. ■

We expect the local currency to strengthen further during the next quarter, given the forecasted inflows from the energy sector and other foreign direct investments in the gas sector.

REFORMING THE FINANCIAL ARCHITECTURE OF T&T

TOWARDS DEVELOPED COUNTRY STATUS BY 2020

IN MARCH 2002, the Government of Trinidad and Tobago appointed a committee to review the financial sector of T & T, in view of the continued modernisation and liberalisation of the domestic economy, especially the financial sector.

The Terms of Reference of the Committee were to prepare a report that reviews the local financial sector and make recommendations for a more efficient, integrated and dynamic sector that allows for the rapid development of the domestic economy.

The Committee met over the period May to December 2002 and put out a Green Paper in May 2003, with several general and sector-specific recommendations to guide the future development of the financial sector.

CMMB is in general agreement with the recommendations made, and this paper emphasises some of the Committee's recommendations as well as introduces some recommendations of our own for consideration by the Committee.

We suggest the development of a local equivalent of the Herfindahl Index. This measures the square root of the sum of squares of the market share of major companies in an industry.

GENERAL

The Committee recommends the development of a national competition policy. This we endorse and add that, to aid in the implementation of this and any anti-trust policy developed, we suggest the development of a local equivalent of the Herfindahl Index. This measures the square root of the sum of squares of the market share of major companies in an industry.

This can be applied to the financial sector in the coming years as we seek to deal with mergers and takeovers, which can fundamentally change the contestability of industries and result in anti-competitive behaviour and predatory pricing.

CAPITAL MARKETS

The Committee recommends a comprehensive review and upgrade of the Securities Industry Act (1995) with specific attention paid to instituting an enforceable take over code. This we also endorse and add that this may encourage small and medium sized enterprises (SMEs) hitherto cautious of corporate raiders, to get listed on the Stock Exchange. This is critically needed as SMEs form the true engine of growth and employment in an economy like T&T where we have been experiencing fairly jobless growth. Illustrating this is that even though we are expected to grow by an average of 3% over the next few years, our unemployment rate is expected to stay at the 10.5% level.

BANKING

The development of a credit rating agency in the Caribbean, as recommended by the Committee, would help to increase the availability of debt capital to corporations as well as reduce the cost of this debt.

Currently, many financial institutions are unable to properly analyse the risk in SMEs and are therefore either hesitant to lend or if they do decide to lend, overcompensate for unmeasured risk by charging rates much higher than is commensurate with the level of underlying risk. By having a reputable credit agency that can provide ratings to companies in the region then the financial institutions can make an informed decision about the risk they are putting depositors' funds to. In countries where rating agencies were introduced, in most cases the size of the business sector blossomed due to increased availability of capital.

By having a reputable credit agency that can provide ratings to companies in the region then the financial institutions can make an informed decision about the risk they are putting depositors' funds to.

Also, in the Caribbean, financing is bank-centric. However, the interest rates charged by the bank include their high regulatory costs of capital and overheads. A rating agency would foster the development of a Commercial Paper market, which is a market for corporate debt on an unsecured basis. Underwriters can thus create a Primary Market for these issues as well as a secondary market for trading of this paper. The secondary benefit of this is that the heavy collateral requirements by banks would no longer be necessary and the business would now be free to use its assets in furthering its entrepreneurial interests rather than having them sterilised by the banks through debentures, Deeds of Mortgage, Chattel Mortgages etc.

The Committee also recommends a lowering of the reserve requirement on commercial bank TT$ deposits. We agree with this and recommend that the funds so released be resterilised into Government issues. The reserve requirement is a "free lunch" to the Government in that they are financing this debt at 0% and in the process the secondary effect on economy is the phenomenon of the dead-weight loss. By paying a tax-free rate of return on resterilised reserve funds, this would reduce the cost of intermediation and help to reduce lending rates.

OUR RECOMMENDATIONS

We recommend:

- A reduction of the Liquid Asset Ratio on US dollar deposits. This is the amount per dollar that financial institutions have to keep in low yielding liquid assets which was initially established at 331/3% and later reduced to 25% a few years ago, yet remains high based on our economic fundamentals. This ratio increases the implied costs of intermediation and is unnecessary given our strong balance of payments position. It is time to reduce this further due to relatively higher US dollar liquidity on the local market which is further supported by:
  - Recoup of foreign credit lines for local financial intermediaries after the Asian crisis
  - Development of local interbank market in US dollar borrowings
  - FDI flows into Trinidad and Tobago US$6-10 billion over past ten years and expected US$8-10 billion over next five years
  - High current account surpluses, which contributed to the recent upgrade of our long term foreign currency sovereign rating from BBB- to BBB
  - T&T is the only country in Central America and Caribbean where external debt to exports ratio is falling
  - The increasing level of our Oil Price Stabilisation Fund

It is time to reduce the Liquid Asset Ratio further due to relatively higher US dollar liquidity on the local market

- **The issuance of GOTT Bonds at different tenors,** to facilitate the emergence of a yield curve. Although this has started we have noticed a concentration on 10 and 15 year tenors only.
- **A continuation of the programme of the repo facility through CBTT** as this helps to reduce interest rate spikes resulting from liquidity mismatches. The implementation of the repo facility at CBTT can be an effective tool of monetary management if implemented correctly. The single most important reason for interest rate volatility over the past few years was due to the wide swings in system liquidity. Banks did not want to sell T Bills to CBTT when the system went short because the rediscount rates at CBTT would either significantly compress returns or in some instances cause capital losses. There would thus be an escalation of interest rates as demand increased for limited supply. This caused interest rates between 30-365 days to reach an historic high of 13% in 1999. This was the maximum a bank would pay for funds in the system as to go short on the Central Bank reserve would cost the same. With the repo facility at CBTT once banks can repo T Bills to get short-term liquidity then when the system goes short then banks can easily re-expand the system through this mechanism. This would definitely reduce the severe short-term spikes in interest rates, which characterised the money market during the latter part of the 90s.

With the repo facility at CBTT once banks can repo T Bills to get short-term liquidity then when the system goes short then banks can easily re-expand the system through this mechanism.

- **A widening of the Primary Dealership in T Bills** to help reduce yields on T Bills and hence the cost of Government debt. The importance of the expansion of the Primary dealership in T Bills cannot be overemphasised. Currently there is an anomaly in the money market in T&T. The rates paid on T Bills are higher than those paid on deposits at commercial banks. It means that the banks are paying a lower rate for funds than the Government of T&T even though Bills are supposed to be the safest investment. This puts an added strain on Government's debt service burden and also creates some distortion in the yield curve. If the primary dealership were opened up to other players, the dynamic of competitive tendering would drive down the required yields on T Bills. Banks should not be allowed to make money on T Bill purchases. If this continues there would be little incentive to invest in other assets, as a risk free spread can be obtained on T Bills.
- **A relook at the Caricom Double Taxation Treaty.** It is felt that T&T is fast becoming the financial center of the Caribbean. The Caricom Double Taxation Treaty was put in place to facilitate a free movement of capital across borders. There has been, however, an unintended effect of this legislation, which is creating distortions in the financial market. Investors in T&T are buying debt in other Caribbean islands at lower yields than in T&T but because the income attracts a much lower tax rate than income generated locally it is more attractive to invest in other Caribbean territories. This is a virtual subsidisation of risk as while the required interest rate payable on debt in those territories may be higher investors are still buying it because the effective yield to them is much higher than those in T&T, given the virtual tax break from investing in other Caribbean islands. The legislation creates an uneven playing field. While it may be argued that the same would apply to investors in these territories wanting to invest in debt domiciled in T&T the effect is not symmetrical. T&T has a much higher amount of US dollar liquidity than other territories and so the net outflow is much higher in our case. Indeed, the CBTT has had to draw down on reserves to keep the exchange rate at the current level during the first quarter of this year, as there was a surge in investment activity into other Caribbean islands. There has to be a tax equalisation policy to address this problem.

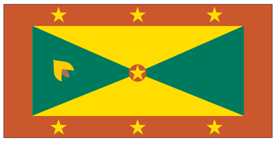
- **A continuation of Open Market Operations** that have increased exponentially over the past five years. Before, banks were hesitant to buy OMOs due to the rediscount losses to be incurred over short horizons. Indeed the CBTT placed a higher rediscount rate on OMOs over that of debt management bills creating a two-tier market. Since then this differential has been removed making OMOs more effective as a monetary tool. This, combined with the repo facility, would prove to be very effective in monetary management.
- **A relook at the Special Deposit Account at the CBTT** - with the implementation of the reverse repo facility at the CBTT it is not apparent why there is a need to have a Special Deposit account at the CBTT. The Special Deposit instrument is there to allow banks to invest surplus funds overnight at a minimum rate of interest. This meant that in a liquid market, banks would not pay more than the rate on Special Deposit for Call funds as they would make negative carry. The Special Deposit rate thus served as a virtual signaling rate, even though it remained unchanged throughout the latter part of the 90s. With the introduction of the reverse repo rate, banks can invest surplus funds overnight in the same way. Since the reverse repo rate up to now has been higher than the current rate on Special Deposit, the latter may now be considered obsolete.
- **Increasing the value of National Insurance Benefits** by utilising new products. There are very smart ways to invest in instruments, which give principal protection, a minimum guaranteed return and a potential upside without the downside risk. These are referred to as Structured Products and they allow the portfolios to take exposure to S8P 500, NASDAQ, QQQ, DJIA or another index e.g. FTSE. Since the investment policies of these funds are conservative they can still get a principal guarantee feature built into the investment, yet can benefit from the high returns on the stock markets over the next few years. The outlook for these US indices over the next three to five years is positive.

The funds can also think about investing even greater allocations in the stock markets of T&T, Jamaica and Barbados which have done extremely well while markets all around the world have been down. ■

There are very smart ways to invest in instruments, which give principal protection, a minimum guaranteed return and a potential upside without the downside risk.

COUNTRY RISK REPORT: GRENADA

BB- STABLE



KNOWN TO THE WORLD as the "Isle of Spice" and located just northeast of Trinidad at the end of the Caribbean chain of islands, the State of Grenada consists of the islands Grenada, Petit Martinique and Carriacou and is a member of the Organisation of Eastern Caribbean States (OECS), a regional grouping.

Grenada has emerged as one of the relatively stronger democracies and economies in the region, after a tumultuous period during the 1980s that saw a bloody overthrow of the presiding government by a Marxist-type military council, backed by Cuba, leading eventually to an invasion of American forces in October 1983. Since then, Grenada has undergone many economic structural adjustments, in addition to which there is a deepening relationship with democratic institutions and the general population. These positive changes resulted in a BB- rating (below investment-grade but relatively good score) from international credit rating agency Standard and Poor's (S&P) in 2002, the first for the country.

The government has committed to market-oriented reform, with the privatisation of state enterprises and the dismantling of the telecommunications industry as examples of this.

POLITICAL AND SOCIAL ENVIRONMENT

After 1983, Grenada has enjoyed four democratically held elections, with the next one constitutionally due in 2004. The ruling New National Party (NNP), led by Dr. Keith Mitchell, has accomplished the rare feat, at least regionally, of winning back-to-back elections in 1995 and 1999, and dominates the 15-member Parliament with 14 seats. While observers expect the party to win an unprecedented third consecutive term, they expect a smaller majority next time around. The government has committed to market-oriented reform, with the privatisation of state enterprises and the dismantling of the telecommunications industry as examples of this. These factors make Grenada's democracy stable and predictable when compared to its peers in the BB and B categories such as Belize and Jamaica. Like most of the former British colonies in the region, Grenada has a constitutional monarchy with a Westminster-style parliament, a judicial system based on common law, while the island state has been independent since 7 February, 1974.

In terms of social conditions, there remains a significant portion of the population, estimated at 32% in 1998, living below the poverty line, using the benchmark of $3,300 in annual consumption. The decline in the banana industry has been closely linked to this impoverishment, especially in the rural areas. However, the unemployment rate, as at 2000, was estimated at 11.5%, down significantly from 17% in 1996. Nevertheless, there continues to be the normal "growing pains" associated with structural adjustments with large portions of the labour force with minimal skills leading to an inflexible labour force, which is unable to transfer to higher-skilled and better-paying jobs that are becoming available. This has ultimately led the NNP-government to have, as one of its critical objectives, the acceleration of the development of its human capital.

ECONOMIC STRUCTURE

Grenada has an attractively diversified economic structure in comparison to both its rated and regional peers with strength across a range of sectors. This diverse economic base provides firms with relatively easy access to supplies and services. A breakdown of the major economic sectors shows the transport and communication sector with over 23% of Gross Domestic Product (GDP), followed by government services accounting for approximately 17%. Agriculture, the former mainstay of the economy, has, over the years, declined from approximately 8.7% of GDP in 1996 to 7.3% in 2002. This reduction was largely due to unfavourable developments in the country's chief export market for bananas (Europe), with preferential access to those markets being continuously dismantled with low prices compounding the problems. Construction, financial services, hotels and restaurants and, to a smaller extent, manufacturing sectors have grown in significance and contributed to economic growth over the past 5 years.

Construction, financial services, hotels and restaurants and, to a smaller extent, manufacturing sectors have grown in significance and contributed to economic growth over the past 5 years.

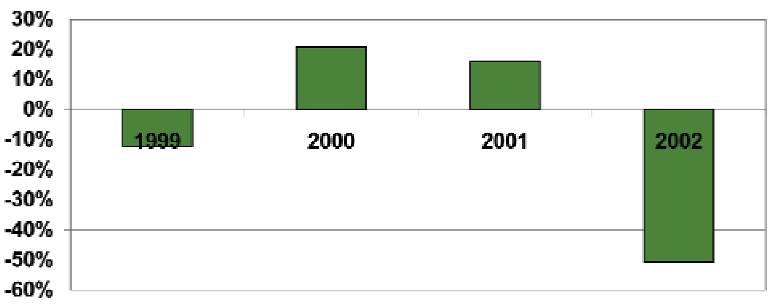
Construction, for example, has seen its share of GDP grow from 8.2% in 1997 to 10.5% in 2002, driven mostly by large capital-intensive projects related to the tourism industry, infrastructural repair after hurricane damage and other investments such as a stadium, hospital and roads.

ECONOMIC AND FISCAL PERFORMANCE

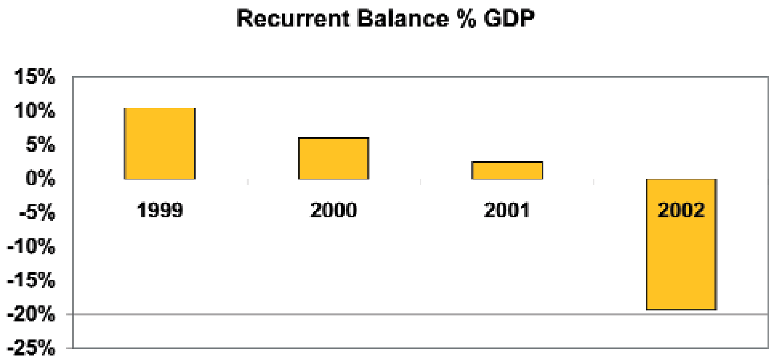
After seven consecutive years of expansion resulting in real GDP growth averaging 5.3% over the period, the Grenada economy contracted by 3.4% in 2001 due to the global economic slowdown that was exacerbated by the events of September 11th, lower tourist receipts and damage to crops from Hurricane Lilli. In an effort to reduce the negative impact, especially for the most vulnerable, the Government of Grenada (GOG) embarked on a spending programme designed to broaden social protection. However, due to lower non-tax revenue streams from the off-shore banking sector (due to tighter supervision that saw 30 banks close with 5 remaining) and unplanned expenditure in reconstruction following hurricane damage, the additional public expenditure shrunk the recurrent surplus from 6.1% of GDP in 2000 to 2.4% in 2001 and widened the fiscal deficit in 2001 to 8.6% of GDP compared to 3.2% in 2000. The situation did not improve in 2002 as the economy contracted a further 1% despite

Efforts to stem the tide of a possible runaway deficit were largely unsuccessful, and, adding fuel to the fire, expenditures rose sharply in 2002 from higher interest payments, transfers and capital spending.

External Current Account % GDP



recoveries in the agriculture and tourism sectors. Efforts to stem the tide of a possible runaway deficit were largely unsuccessful, and, adding fuel to the fire, expenditures rose sharply in 2002 from higher interest payments, transfers and capital spending. This turned the recurrent surplus of 2.4% of GDP in 2001 to a deficit of 19.4% in 2002. The large capital investments that contributed significantly to the deficit resulted from the government's ambitious medium-term investment programme, the success of which hinges largely on greater tourists arrivals. Capital spending also increased as the Government of Grenada (GOG) chose to purchase leased buildings while getting out of the expensive BOLT contracts.



Despite the great strides made in diversifying the economic base, Grenada still depends on agriculture as it makes up 33% of merchandise exports.

DEBT AND FISCAL FLEXIBILITY

In 2002, GOG raised US$100Mn via a bond issue on the international capital market, the proceeds of which were to retire outstanding claims and restructuring. However, the government's debt stock rose from $325Mn in 2001 to $912Mn in 2002 since the claims that were retired were not classified as debt on the government's balance sheet. In addition to this, the consolidation of all outstanding arrears into debt that was done during 2002 added to GOG's outstanding liabilities, along with the continuation of what has now become common practice of granting government guarantees to both the public and private sectors. This drove the general government's debt-to-GDP ratio to an estimated 95% in 2002 from 60% in 2000. The GOG's external debt service payments doubled from $31.5Mn in 2001 to $63.2Mn in 2002, with the debt service-to-current revenue rising appreciably to 26.7%. This situation has created an extremely inflexible, if not precarious, condition with the total public sector debt-to-current account receipts climbing to 138% in 2002 compared to 47% in 2000.

EXTERNAL LIQUIDITY

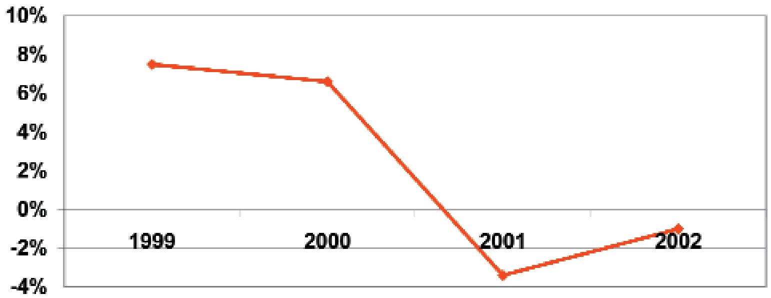
Despite the great strides made in diversifying the economic base, Grenada still depends on agriculture as it makes up 33% of merchandise exports. A significant portion of this comes from nutmeg, which accounts for 80% of all agricultural exports. Grenada has an estimated 33% of the world's nutmeg market, second to Indonesia which has an estimated 62%. In all, exports of goods and services account for 58% of GDP, which indicates the openness of the economy and its vulnerability to external shocks.

Tourism, as with most other Caribbean islands, accounts for a significant part of the economy (an estimated 20% of GDP in 2002 came from visitor expenditure), although to a lesser extent than its neighbours. Grenada's strength in this sector comes from the diverse nature of its visitors with an almost equal share of visitors from the US, UK and CARICOM.

Grenada in 2002, recorded a current account deficit of 26% of GDP, up from 17.6% in 2001 indicating dependence on imports while the trade deficit stood at 35% of GDP — Foreign Direct Investment covered 40% of this deficit. This type of deficit is, however, expected given the nature and magnitude of the investment projects undertaken by both private and public sectors. Net external debt as a percentage of current account receipts stood at 97% in 2002. However, prudent monetary management by the Eastern Caribbean Central Bank (ECCB) may sustain Grenada's ambitious initiatives in the short to medium term.

Tourist arrivals across the region have resumed positive growth, although nowhere near the absolute levels of the past, while there is cautious optimism that this will continue in the medium term.

Real GDP Growth



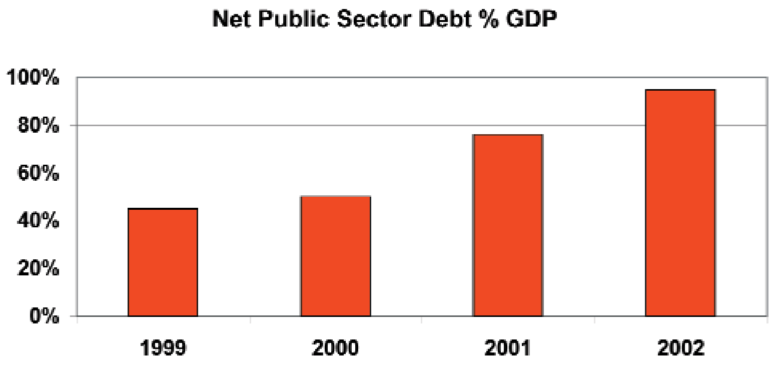
MONETARY POLICY

Being a member of the 8-country Eastern Caribbean Currency Union (ECCU), monetary policy and issuing Eastern Caribbean dollars (EC) are the responsibility of the ECCB. The EC dollar's peg to the US dollar at a rate of EC$2.7:US$ has stood for over 25 years while the foreign exchange backing of the EC currency was 96.8% as at September 2002. This means that for every EC dollar in circulation, there was 96.8 cents in foreign exchange reserves, a healthy position. This has produced several favourable factors including low inflation, averaging 2.1% over the five-year period 1998-2002 tracking US inflation, while the ECCU is less vulnerable to external liquidity pressures.

For every EC dollar in circulation, there was 96.8 cents in foreign exchange reserves, a healthy position. This has produced several favourable factors including low inflation.

OUTLOOK

Like all small open economies, Grenada faces a myriad of challenges especially in what has turned into a protracted global economic slowdown. Perhaps the most pressing issue for the GOG would be to adopt a more prudent fiscal stance in the face of declining non-tax revenues and deteriorating social conditions. According to the 2003 Budget presentation, yet another expansionary one, total government expenditures are expected to reach $486Mn with $304Mn directed to current expenditure on top of total revenue of $381Mn of which $334.3Mn is projected to come from current revenue. The overall deficit budgeted is thus projected at $105Mn or 8% of estimated GDP, and, given



A high dependence on foreign captial flows places Grenada at the edge of runaway current account deficits as the GOG continues to rack up debt.

the recent increase in debt, the government will be hard pressed to finance this deficit. This deficit is likely to be funded by $60Mn on the domestic market and $45Mn from foreign borrowing and will raise interest payments in the medium term.

A high dependence on foreign capital flows, which can be very volatile (remember Mexico and Thailand), especially when investors' perception of a country's risk deteriorates and can dry up in a matter of days, places Grenada at the edge of runaway current account deficits as the GOG continues to rack up debt. Tourist arrivals across the region have resumed positive growth, and although this is nowhere near the absolute levels of the past, there is cautious optimism that this will continue in the medium-term. The 2003 budget includes $15Mn for further development in this sector, including $9Mn for marketing, which is still below that of its neighbouring competitors. Many of the factors impacting Grenada's success are largely within the control of GOG and with prudent fiscal management of the public's purse, can result in a viable and stable economy. ■

COUNTRY RISK REPORT: UNITED MEXICAN STATES

Baa2 POSITIVE BBB- STABLE

Benchmark Sovereign Bond	Mexico 11.5% 2026
Amount issued	US$1.7 billion
Current Price:	$153.75
Current Yield to maturity:	6.82%
1 year High:	$156.79
1 year Low:	$122.77

CURRENT RATING (LONG TERM FOREIGN CURRENCY)

Rating Agency	Rating	Outlook
S&P	BBB-	Stable
Moody's	Baa2	Positive

RATING HISTORY (LONG TERM FOREIGN CURRENCY)

Rating Agency	Date	Action Taken	Outlook Change
S&P	7 February, 2002	Raised to BBB-	Revised to Stable
Moody's	12 March, 2002	Raised to Baa2	Revised to Positive

POLITICAL STRUCTURE

The United States of Mexico is a federal republic, with 31 states and one federal district. Independent since 1810, Mexico was under the watch of one political party, the Institutional Revolutionary Party (PRI) from 1929 to 2000 when Vicente Fox Quesada of the National Action Party (PAN) broke the monopoly. President Fox defeated his PRI opponent Francisco Labastida Ochoa with 42.52% of the popular votes, a 6.42% margin, after promising to eliminate the fiscal deficit, reform state enterprises and promote economic growth in the Central American Economy.

The Mexican legislative system is bicameral with a congress of 500 members, three hundred elected and two hundred appointed on the basis of each party's popular vote. The Senate is comprised of 128 members, of which 96 are elected by popular vote and 32 are appointed in proportion to each party's popular vote.

ECONOMIC PERFORMANCE

Cross-credit Comparison 2002	2003f	Mexico	BBB- Benchmark	STD
External Debt % Of Exports (ETD/EXP)	81%	82.54%	123.83%	-0.53
External Debt % of GDP (ETD/GDP)	25.9%	24.57%	46.41%	-0.87
Debt Service Ratio (DSR)	12%	13.54%	17.87%	-0.31
5-Year GDP Growth Rate (5YRGRO)	2.68%	3.30%	4.70%	0.16
Inflation% (INF)	3.1%	5.70%	6.14%	-0.05
Budget Balance % of GDP (BUDBAL/GDP)	-0.57%	-0.61%	-2.81%	-0.55
Foreign Direct Investment % GDP (FDI/GDP)	2.44%	2.14%	2.37%	0.13
Med and Long-Term Debt % Total (MLTD/ETD)	74%	72.01%	79.31%	-0.68
Current Account % GDP (CA/GDP)	-2.9%	-2.44%	-0.82%	0.24
Reserve Coverage/STD (RES/STD)	110%	110%	287.55%	0.60

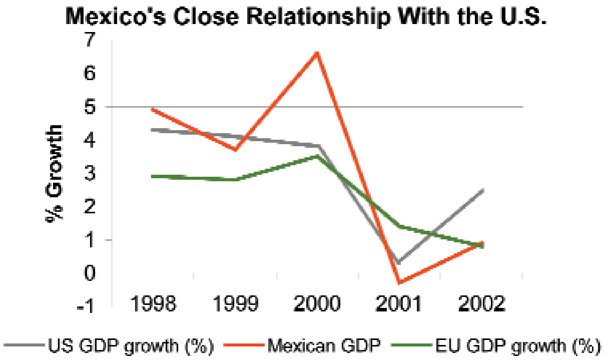
Sources: JMMB Research, EIU, Morgan Stanley Dean Witter (MSDW), f = JMMB and EIU forecast

The Mexican economy is an open market economy based on light industry, agriculture and services.

ECONOMIC STRUCTURE

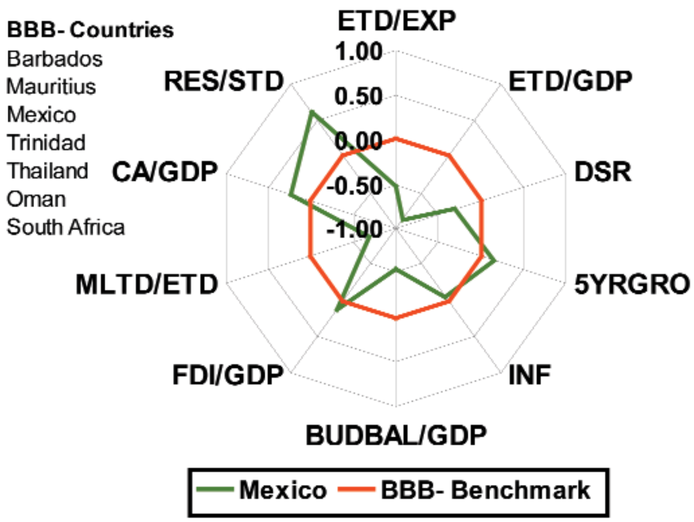
The Mexican economy is an open market economy based on light industry, agriculture and services. The services sector is the major contributor to GDP, accounting for 62.6% of the total domestic output in 2002. The industrial sector accounted for 25.2% of total GDP through steel, iron, tobacco, petroleum, motor vehicle production and textile production. Despite the fact that agriculture contributed only 3.9% to total output in 2002, this sector is still very important to the country as it employs 20% of the 39.8 million Mexican work force.

The United States of America (USA) is not only the country's largest neighbour but also its major trading partner, buying more than 90% of Mexico's exports over the last 3 years. The two economies grew even closer after the completion of the NAFTA negotiations in 1994. Due to the dependence of the Mexican economy on the USA, the economy is relatively more susceptible to shocks from the U.S. economy than other economies in the region.



Sources: EIU, Bloomberg

Figure 1



Sources: EIU, MSDW

GROWTH: SLUGGISH BUT PROJECTED TO INCREASE

After an impressive 6.6% growth in 2000, the Mexican economy contracted by 0.3% in 2001. It is estimated to have grown by 0.9% in 2002, as the economy continued to recover from the downturn in the U.S. and European economies after the 11 September, 2001 attacks on the World Trade Center in New York.

With an average five-year growth rate of 3.3%, the Mexican economy is growing marginally slower than the estimated average growth rate of 4.70% for its peer-rating group (see radar chart above). The sluggish growth in the Mexican economy in 2002 was due to the slowdown in the services industry. The services industry, which grew by 7.4% during the boom of 2000, contracted by 0.6% in 2002 due to a decline in the banking and finance sectors.

The agricultural sector also contracted during 2002, due to a slowdown in the economies of Mexico's major trading partners. Agricultural production decreased from a growth rate of 2.5% in 2001 to 1% in 2002. This sector has some challenging times ahead, due to the Free Trade Area of the Americas (FTAA) agreement, which came into effect at the beginning of 2003. The FTAA agreement, which calls for the elimination of duties on agricultural products within this region, will have a severe impact on the Mexican agricultural sector. This is so because cheaper imports from Canada and the USA will place Mexican farmers at a disadvantage, as Mexican farms are relatively inefficient compared to the capital intensive North American farms.

However, the industrial sector seems to have rebounded from the economic downturn of 2001. It registered an estimated growth of 4.9% in 2002, compared to the 3.5% contraction in the previous period. The growth in this sector was due to increases in petroleum, motor vehicle production and textile production.

Overall growth in 2003 is projected to be 2.5% as the financial services sector is expected to recover and the industrial sector should continue to grow, assuming the USA economy is able to rebound in 2003.

Overall growth in 2003 is projected to be 2.5% as the financial services sector is expected to recover and the industrial sector should continue to grow, assuming the USA economy is able to rebound in 2003.

The peso is expected to appreciate this year as fears surrounding emerging markets continue to subside and growth in the U.S. recovers. This will increase demand for relatively cheap Mexican exports.

FOREIGN EXCHANGE: PESO UNDER PRESSURE BUT HAS SUPPORT

The peso has depreciated by more than 20% over the last 12 months due to weakness in Mexican exports and the widening current account deficit. The Argentine and Brazilian crises of 2002 also put pressure on the peso as investors moved away from the Latin American markets. Fears about the war against Iraq have also contributed to the volatility in recent months.

However the Mexican central bank has responded to this increased pressure on the peso by tightening monetary policy. The benchmark interest rate, the Cetes, was increased by 241 basis points to 8.745%, between December 2002 and the end of March 2003.

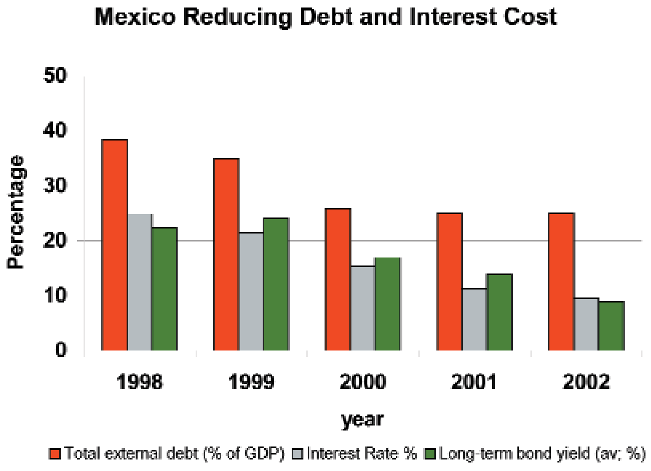
The currency is expected to appreciate this year as fears surrounding emerging markets continue to subside and growth in the U.S. recovers. This will increase demand for relatively cheap Mexican exports.

INFLATION: RAN AWAY IN 02 HOWEVER WELL BELOW PEER RATING GROUP

Mexico's 5.7% inflation rate for 2002, while above the Central Bank annual target of 4.5%, according to the radar chart above compares favourably to its rating peer group. Mexican inflation was driven mainly by the depreciation of the peso in the last quarter of that year. The Central Bank's commitment to reducing the volatility of the peso should help to control inflation in 2003 and help the Central Bank achieve its 2003 inflation of 3%.

DEBT: DYNAMICS SUPERIOR TO RATING PEER GROUP

The radar chart on the left indicates that Mexico's debt dynamics compares favourably to its peer group; with a debt to GDP ratio of less than 25%, Mexico is twice as solvent as the average BBB- country. This favourable result is due to the low level of external debt compared to its peer group. Mexico's external debt-to-exports ratio also outperforms its peer-group despite the contraction in Mexico's exports in 2002. This result is due to the Government's prudent debt management that has resulted in a reduction in its overall debt and an extension of its debt profile. This improvement in public debt management has not only allowed Mexico to maintain its investment grade status but has also helped the country reduce its borrowing cost (see figure 2).



Sources: IMF, EIU, JMMB Research

Figure 2

FISCAL PERFORMANCE: KEY REFORMS NEEDED TO MAINTAIN FISCAL PRUDENCE

The Mexican government has been lauded for the position it has taken in managing its fiscal accounts over the last five years, in which the budget deficit moved from 1.15% of GDP to its present level (2002) of 0.61%. Mexico compares favourably to its rating peer group, due to larger than expected revenue from oil production and spending cuts put in place in the first quarter of 2002. However, compared to other oil producing economies in its rating group, Mexico's fiscal management does not seem impressive as Trinidad and Tobago, a country that has been able to achieve a surplus of 0.6% of GDP relative to Mexico's deficit of 0.6% of GDP.

Mexico's dependence on oil revenue has made its fiscal accounts more vulnerable to external shocks and as such the Government has committed to reducing its dependence on oil revenue by introducing more aggressive tax reforms and improving its tax administration. These tax reforms are vital if the country is to control its fiscal accounts and meet its fiscal balance target of –0.5% of GDP for 2003. The IMF has estimated that in the absence of additional revenue measures, primary expenditure would have to be constrained by 3% to meet the Government's targets for 2003. The passage of these reforms in 2003 is constrained only by congressional support, given that this year is an election year.

The IMF has estimated that in the absence of additional revenue measures, primary expenditure would have to be constrained by 3% to meet the government's targets for 2003.

TRADE ACCOUNTS: DETERIORATING, BUT SET TO IMPROVE IN 03

Mexico's trade account has been deteriorating consistently over the last five years due to the opening of the Mexican economy and the implementation of the NAFTA and FTAA agreements. The trade balance has deteriorated by an average of 7.92% per annum over the last five years as U.S. and Canadian exports to Mexico continue to grow faster than Mexican exports. Nevertheless, the trade accounts recovered slightly between 2001 and 2002, due to the 20% depreciation of the Peso.

The trade balance has deteriorated by an average of 7.92% per annum over the last five years as U.S. and Canadian exports to Mexico continue to grow faster than Mexican exports.

The current account deficit has also been adversely affected by the growing trade deficit but has not widened significantly due to the increasing current account transfer from the large migrant population in the U.S. and private investors. At 2.44% of GDP, Mexico's current account deficit is significantly larger than that of its rating peer group – see radar chart. Given the current geopolitical conditions and the sluggish U.S. growth, Mexico's current account deficit is not expected to improve significantly over the next two years.

However, foreign direct investments and private transfers should continue to prevent further deterioration.

INTERNATIONAL RESERVES COVERAGE: SUFFICIENT BUT BELOW PEER GROUP

Mexico's net international reserves currently stand at a record level of over US$50 billion due to the increase in oil revenues[1]. This is a solid indication of the level of support the Mexican peso has and the ability of the Mexican government to deal with external shocks. At 110% of short-term debt, Mexico has enough liquidity to cover all its short-term debt obligations. However Mexico's liquidity position is weaker than that

[1] Premex, the state-owned oil company is obligated by law to sell or deposit all income denominated in foreign currency with the central bank, Banco de Mexico.

of the average BBB- country that has reserve coverage of twice its short-term debt position-see radar chart above. Mexico's reserve position is not expected to deteriorate because of the following:

(1) oil exports should remain strong,
(2) the recent decision by the central bank not to use the reserves to defend the peso
(3) the government's success in extending the maturity profile of the external debt.

CONCLUSION

Despite the current global conditions, Mexico compares favourably to other economies in its rating group. Mexico's relatively low level of debt and adequate levels of reserves have allowed the Mexican government to extend its debt profile and thus make its debt more manageable compared to that of its rating peers. Due to the current geopolitical conditions, larger than expected oil revenues continue to provide a windfall for the government's coffers. However, key tax measures need to be passed for the current administration to meet its fiscal targets. Mexico is expected to face a challenging year due to the sluggish growth in the U.S. and the uncertain geopolitical conditions. ■

Notes

CMMB
CARIBBEAN MONEY MARKET BROKERS LTD.

1 Richmond Street, Independence Square, Port-of-Spain, Trinidad
Tel: (868) 623-7815 Fax: (868) 624-4544

Unit 01, Gulf City Shopping Complex, La Romaine, San Fernando
Tel: 657-CMMB Fax: 653-4871

www.mycmmb.com
e-mail: info@mycmmb.com

Copyright © Caribbean Money Market Brokers Limited. All Rights Reserved.

Layout by Paria Publishing Company Limited. Printed by Caribbean Paper and Printed Products (1993) Ltd.