



## 2008/ 2009 – Through The Looking Glass

### Trinidad: Top 5 Advances and Declines, January to December 2008

Security	Opening Price	Closing Price	Return (\$)	Return (%)
<b>Advances</b>				
Readymix Ltd.	\$ 7.01	\$ 31.60	24.59	350.8%
Mora Ven Holdings Limited	\$ 4.10	\$ 13.50	9.4	229.3%
LJW b	\$ 1.20	\$ 1.90	0.7	58.3%
Angostura Holdings Limited	\$ 5.11	\$ 6.90	1.79	35.0%
Ansa Merchant Bank Limited	\$ 23.25	\$ 30.00	6.75	29.0%
<b>Declines</b>				
National Commercial Bank of Jamaica	\$ 2.00	\$ 0.80	-1.20	-60.0%
Prestige Holdings Limited	\$ 5.75	\$ 2.80	-2.95	-51.3%
Trinidad Cement Limited	\$ 7.35	\$ 4.00	-3.35	-45.6%
GraceKennedy Company Limited	\$ 6.20	\$ 4.05	-2.15	-34.7%
Sagikor Financial Corporation	\$ 15.79	\$ 11.00	-4.79	-30.3%

(Source: TTSE/ CMMB Securities and Asset Management Limited)

The local stock market experienced a quick and dramatic turnaround over the last quarter of 2008. After being up in excess of 16% in the first half of the year, stocks on the Trinidad and Tobago Stock Exchange (TTSE) took a sharp downward turn after they hit the year's high on 28 July 2008. We experienced a bull-run from April to July – a period in which the supply of “hot stocks” was often limited, providing sellers the opportunity to command top prices. After this point, however, supply began to grossly outstrip demand on the overall market, with stock prices dropping sometimes by as much as the day's limit of 10%. Local equity investors were literally taken on a roller coaster ride of returns through 2008, and they quickly realized that all good things must, in fact, come to an end. The return to positive territory for the local indices was short-lived, and the gains that shareholders enjoyed in early 2008 were rapidly erased in the later stages of the year.

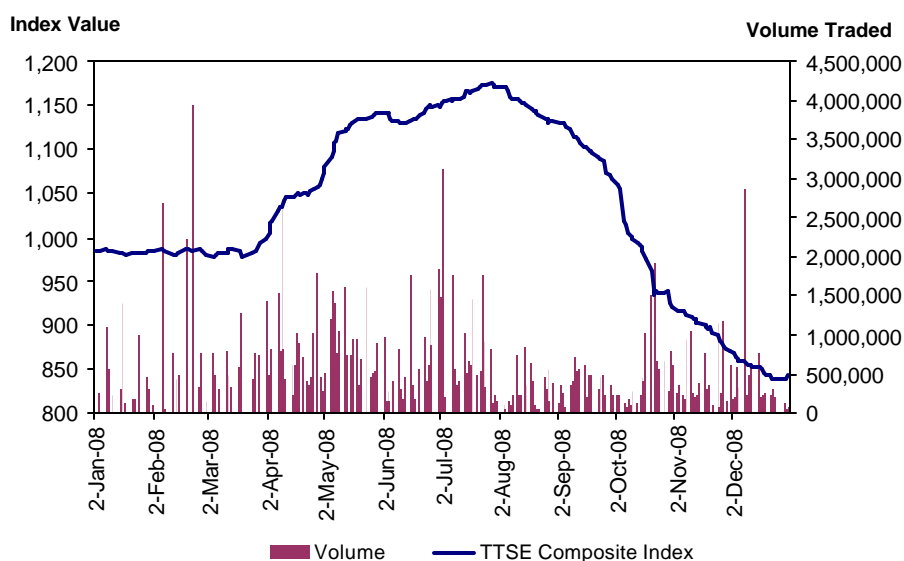
There were a couple historic events that arguably fuelled the bull-run in the first half of 2008. Firstly, shareholders of RBTT Financial Holdings (RBTT) almost unanimously voted to return the bank to its former owners, Royal Bank of Canada (RBC), at an amalgamation price of TTD13.7 billion, resulting in the largest deal to ever take place on the local market. Secondly, the TTSE moved away from trading three days per week, introducing international standards of daily trading. There were also various other transactions occurring throughout the Caribbean region, stirring up some activity on the regional markets.

The rally on the TTSE during Q1 and Q2 2008 was partially attributable to investors' anticipation of a cash influx into the

market arising out of the RBTT/ RBC amalgamation, which could have led to a further upswing in the market. We suspect that many investors chose to hold on to the cash, or invest in less-risky asset classes, as opposed to fueling the funds back into the local equity market. As such, shortly after completion of the deal, the TTSE began its steady decline. The decline in our local market also coincided with a unique period in global investment markets. The collapse of several major financial institutions around the world and the crisis in the US housing market crushed investor confidence locally, leading to more supply and falling prices over the second half of the year.

The TTSE produced overall negative returns for 2008 where there were 21 decliners, 17 advancers, 1 share trading firm and 4 that did not trade during the period under review. At first glance, this would lead one to believe that the year was a bearish one; for the sake of comparison, in the first half year there were 28 advances and just 5 declines, while in the second half year there were a mere 9 advances and 26 declines. We are of the opinion that global conditions coupled with anticipation of a slowing local economy affected investor sentiment locally in the second half of the year, fuelling shareholders' decisions to sell, driving down prices.

### TTSE Performance - January to December 2008



**Figure 1 (Source: TTSE/ CMMB Securities and Asset Management Limited)**

Figure 1 graphically shows us the trend of the TTSE Composite Index (TTSE CI) for the year under review. The graph clearly depicts the bull-run in the second quarter, followed by the huge sell-off in the second half of the year, sending the TTSE CI down to close at a significantly lower level compared to its opening quotation in January. The TTSE CI produced losses of 14.2% for the year under review, and the locally biased All T&T Index recorded losses of 3.9%. This makes sense considering the fact that the vast majority of the cross-listed stocks recorded big losses in 2008, negatively affecting the TTSE CI, but having minimal impact on the All T&T Index.

The current situation suggests that the market has bottomed, but of course there is no way to guarantee this as we will undoubtedly feel the effects of the global slowdown in the local market. As energy prices have declined significantly and production levels are also on the downturn, it is safe to assume that T&T's GDP growth is going to decline sharply in 2009 to around 1.5% - 2%. The challenge lies in deciphering which companies are strong enough to withstand the slowdown. Operational efficiencies and cost management are now more important than ever in order for companies to maintain the

highest profitability levels possible. As such, we continue to advocate the strategy of buying for value, basing your choices on the companies that will emerge as unscathed as possible from these tough times. As at the end of 2008, the overall market was trading at a trailing price-to-earnings (PE) multiple of about 12 times, which is significantly less than the 10-year average of about 15 times. We advise you to proceed with caution in 2009; this is not a market for the faint-hearted. If you buy now, you have the benefit of buying cheaply, but you must be prepared to hold for a three-to-five year time horizon and a fair amount of volatility.

Our picks for 2009 are as follows: Ansa McAl (AMCL), Neal and Massy (NML), Sagicor Financial Corporation (SFC), Guardian Holdings (GHL), Prestige Holdings (PHL) and Republic Bank Limited (RBL). We believe that these companies are best poised to make it through rough times over the next couple of years, and at current prices they are trading at very attractive PE multiples. On our sell list are WITCO (WCO), Trinidad Cement Limited (TCL), Readymix Limited (RML), and Unilever (UCL). Lastly, we would like to wish you all success in 2009 in your investing endeavours

### ***Current Happenings in Local and International Markets:***

- Inflation causes loan slump
- Scotia calls in clients to renegotiate loans
- CCFG cuts top brass
- SVL wins big - Profit up 59% despite loss on gaming lounges
- NGO experts to challenge Light & Power
- Jobless rate jumps to 7.2 percent in Dec., highest since '93, as employers cut 524,000 jobs
- U.S. Job-Market Collapse in 2008 Was Probably Biggest Since '45
- Crude prices dip below \$40 for the first time in 2009 on jobs report
- BMW, Mercedes, Lexus Car Sales May Drop to 13-Year Low in U.S.
- Bank of Korea Cuts Rate to Record as Recession Looms
- European Confidence Declines, Unemployment Increases
- Circuit City in talks with 2 'interested parties' about possible financing, acquisition

***Table 1: Regional Market Performance (as at 8 January 2009)***

<b>Index</b>	<b>Closing Value</b>	<b>Weekly Change (%)</b>	<b>Monthly Change (%)</b>	<b>YTD Change (%)</b>	<b>1 Year Change (%)</b>
TTSE Composite	840.75	-0.26	-2.06	-0.26	-14.65
All Trinidad	1,148.19	-0.57	-1.75	-0.57	-4.80
JSE Index	85,450.28	6.61	4.00	6.61	-21.49
JSE Select	1,965.36	-0.98	0.03	-0.98	-34.19
All Jamaica	73,257.97	-1.00	-0.18	-1.00	-32.48
BSE Composite	919.48	-0.04	-6.19	-0.04	-10.04

**Table 2: International Market Performance (as at 8 January 2009)**

<b>Index</b>	<b>Closing Value</b>	<b>Weekly Change (%)</b>	<b>Monthly Change (%)</b>	<b>YTD Change (%)</b>	<b>1 Year Change (%)</b>
S&P 500	909.73	0.72	0.00	0.72	-34.56
Nasdaq Composite	1,617.01	2.54	2.88	2.54	-33.74
Dow Jones Industrial	8,742.46	-0.39	-2.15	-0.39	-30.56
German Dax	4,879.91	1.45	3.48	1.45	-37.84
FTSE 100	4,505.37	1.61	4.77	1.61	-29.12
Nikkei 225	8,876.42	1.48	6.57	1.48	-38.90
Hang Seng	14,415.91	0.20	-4.18	0.20	-46.83
DJ Eurostoxx	2,516.56	2.65	2.75	2.65	-41.41

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