



TTSE Q2 Review and Outlook

Trinidad: Top 5 Advances and Declines, April to June 2009

Security	Opening Price	Closing Price	Return (\$)	Return (%)
Advances				
National Flour Mills	\$0.57	\$0.75	0.18	31.6%
Prestige Holdings Limited	\$3.06	\$3.30	0.24	7.8%
Scotiabank of Trinidad and Tobago	\$28.00	\$29.00	1.00	3.6%
Sagicor Financial Corporation	\$10.31	\$10.62	0.31	3.0%
GraceKennedy Company Ltd.	\$3.50	\$3.55	0.05	1.4%
Declines				
CCMB Preference Share	\$0.18	\$0.12	-0.06	-33.3%
Jamaica Money Market Brokers	\$0.56	\$0.41	-0.15	-26.8%
Guardian Holdings Limited	\$19.74	\$14.75	-4.99	-25.3%
Supreme Ventures Limited	\$0.24	\$0.19	-0.05	-20.8%
Capital and Credit Financial Group	\$0.69	\$0.57	-0.12	-17.4%

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

The downward trend in the local stock market has continued into the second quarter of 2009, with the stocks listed on the Trinidad and Tobago Stock Exchange (TTSE) having experienced four consecutive quarters of losses. Though many of these stocks are trading at multi-year lows, some semblance of optimism lies in that the pace at which prices are falling has declined, and there are signs that several stocks may have hit their bottom. In fact, the All T&T Index recorded a marginal gain of 0.7% during the month of June, in contrast to losses of 1.8% and 2.6% in April and May, respectively. In addition, it would appear as though buying interest is slowly returning to the market as traded volumes and values increased slightly in the second quarter, when compared to the first quarter of this year.

Following the release made in the first quarter by Guardian Holdings Limited (GHL), announcing the intention to repurchase up to 4% of the company's issues stock (8,091,221 shares), the regional insurance giant has placed the buyback programme on an indefinite hiatus as the group seeks SEC approval to increase the daily limit on the number of shares it is allowed to purchase. The programme, which originally commenced on 18 February 2009, was taking place on the regular open market at then prevailing prices, with a buy allowance of 8,429 shares per day. The programme was suspended in April 2009 which negatively affected investor and public sentiment, and further effects were clearly reflected in the GHL share price as it plummeted from \$19.74 to \$14.75 – a decline of 25.3% – between April and June.

Though trading activity picked up slightly in the second quarter of 2009 from the previous quarter, the local stock market was still bearish as negative investor sentiment still weighed heavily on the market. During the period April to June 2009, there were 6 advances, 18 declines, 6 shares trading firm and 10 that did not trade. Global market conditions coupled with slowing local and regional economies has continued to contribute significantly to investors' decisions to stay out of the local market. On a slightly positive note, the recovery in oil and gas prices on a global scale bodes well for our local economy, and if sustained could contribute to positive investor sentiment.

Traded volume was up slightly in the first quarter of 2009 when compared to the previous quarter, with an average daily volume of 310,604 shares for Q2, compared to 290,231 during Q1. A total of 18,636,220 shares were traded in 30 securities during the three-month period ending June 2009, up 7% over the previous quarter. However, the volume traded in Q2 2009 was 62% less than that of the same period in 2008, a very significant fall-off, reflective of the current economic climate. The total value of the shares traded for the quarter ended June 2009 was TT\$540,904,345.93, up 42% quarter-on-quarter, but down 29% year-on-year.

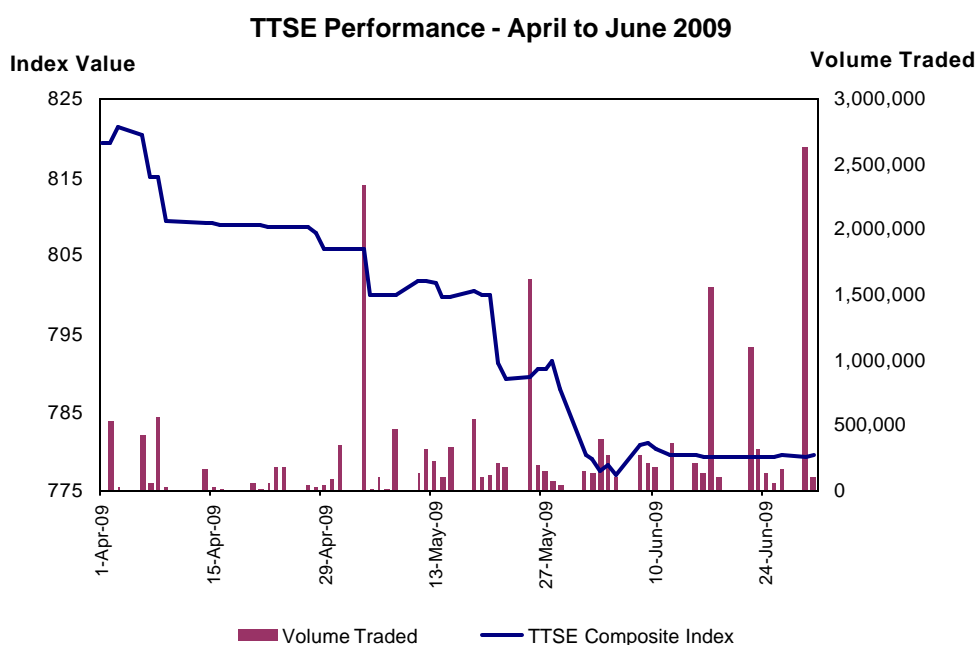


Figure 1 (Source: TTSE/ CMMB Securities and Asset Management Limited)

Figure 1 graphically shows us the trend of the TTSE Composite Index (TTSE CI) for the period under review. The TTSE CI hit a high of 821.36 points on the third day of the quarter (3 April 2009), after which point it steadily declined until early June where it appears to have moderated somewhat. The Index hit a low of 776.92 points on 5 June 2009, a level that has not been observed since February 2004. The TTSE CI produced losses of 5.1% for the period under review (in dramatic contrast to gains of 15.9% for the same period last year), and the locally biased All T&T Index recorded losses of 3.7% (compared with gains of 19.5% during the same period last year).

The TTSE market price to earnings (P/E) multiple continues to lie below its 10-year trend line. The fact that the multiple has fallen so much is a reflection of the falling prices of the stocks in the wider market. The slight up tick in the trend of the multiple is a reflection of the decreasing earnings in the market. Figure 2 demonstrates this graphically.

TTSE Price Earnings Multiple (Trailing)

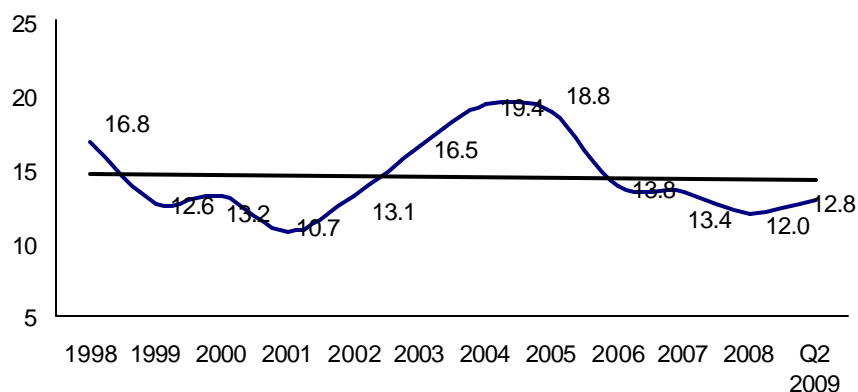


Figure 2 (Source: TTSE/ CMMB Securities and Asset Management Limited)

As we noted in our previous outlook, we expect very minimal growth coming out of the majority of the locally listed companies over the next two years as they attempt to weather the local and global recessionary conditions. As such, we can expect flat-to-declining earnings over the next couple of years. Fundamental valuations show that there are still a few potentially good buys remaining on the local market. However, at the time of writing, trading conditions, though slightly better than last quarter, are still extremely poor; the market volatility which characterized the second half of 2008 has settled, but the wider market has still been trending generally downward. The signs of a bottom are appearing, but we continue to expect low trading volumes to persist for at least the rest of the year, and so the potential to realize capital gains in the market this year remain slim. At current levels the market is fundamentally cheap, but given the trading conditions you must be prepared to hold for the medium to long term if you buy now. There are tremendous benefits of buying cheaply now, but the returns will probably not unfold themselves for at least two to three years.

If you are willing to take a position in the market now, we believe that the following stocks are good medium to long term buys: GHL, NEL, SFC, PHL and WCO.

Table 1: Regional Market Performance (as at 2 July 2009)

Index	Closing Value	Weekly Change (%)	Monthly Change (%)	YTD Change (%)	1 Year Change (%)
TTSE Composite	780.89	0.23	0.24	-7.36	-32.24
All Trinidad	1,080.74	0.10	0.86	-6.41	-28.50
JSE Index	81,005.48	-0.39	-2.03	1.06	-26.45
JSE Select	1,814.68	0.65	-2.66	-8.57	-40.42
All Jamaica	66,992.20	0.46	-2.23	-9.46	-39.61
BSE Composite	843.61	0.00	0.20	-8.29	-21.71

Table 2: International Market Performance (as at 2 July 2009)

Index	Closing Value	Weekly Change (%)	Monthly Change (%)	YTD Change (%)	1 Year Change (%)
S&P 500	896.42	-2.59	-5.11	-0.76	-28.94
Nasdaq Composite	1,796.52	-1.80	-2.19	13.92	-20.21
Dow Jones Industrial	8,280.74	-2.26	-5.26	-5.65	-26.17
German Dax	4,718.49	-1.71	-8.27	-1.91	-25.17
FTSE 100	4,234.27	-0.43	-5.42	-4.51	-21.97
Nikkei 225	9,876.15	0.82	1.77	12.91	-25.67
Hang Seng	18,178.05	-0.53	-1.15	26.35	-16.25
DJ Eurostoxx	2,369.65	-1.36	-6.49	-3.34	-27.94

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