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Stock Market Weekly

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Cold Spell Heats up Energy Sector in 2010

Climate change and shifting weather patterns have contributed to a boost in the energy sector at the start of 2010. Europe, Asia and North America are experiencing some of the coldest winters on record while the southern hemisphere is experiencing some extreme heat. These shifting weather patterns have had numerous implications for the stock market – in particular the energy sector.

Some weather-dependent commodities such as coal and oil have kicked off the year making gains as the exceptionally cold weather caused many folks to turn up the thermostat. WTI crude oil prices are averaging around US$82/barrel so far for January, up from US$74 in December, solely due to the cold snap that has been blowing across the Northern hemisphere. Crude reached a high of US$83.95/barrel on 11 January, the highest in 15 months, as the demand for fuel stoked. Futures on the New York Mercantile Exchange (NYMEX) are projecting a WTI average of US$81.83/barrel for all of 2010, US$3 more than the U.S. Energy Information Administration (EIA) forecast of $79.83. However, the prediction of warmer temperatures in those frigid regions will reduce demand for heating oils and negatively impact the price of crude. Prices have already started to slip when the EIA data showed US crude stocks shot up by 3.7 million barrels last week. EIA forecasts that WTI spot prices will weaken over the next few months, averaging $76 per barrel in March, before rising to about $82 per barrel in the late spring and to $85 by late 2011.

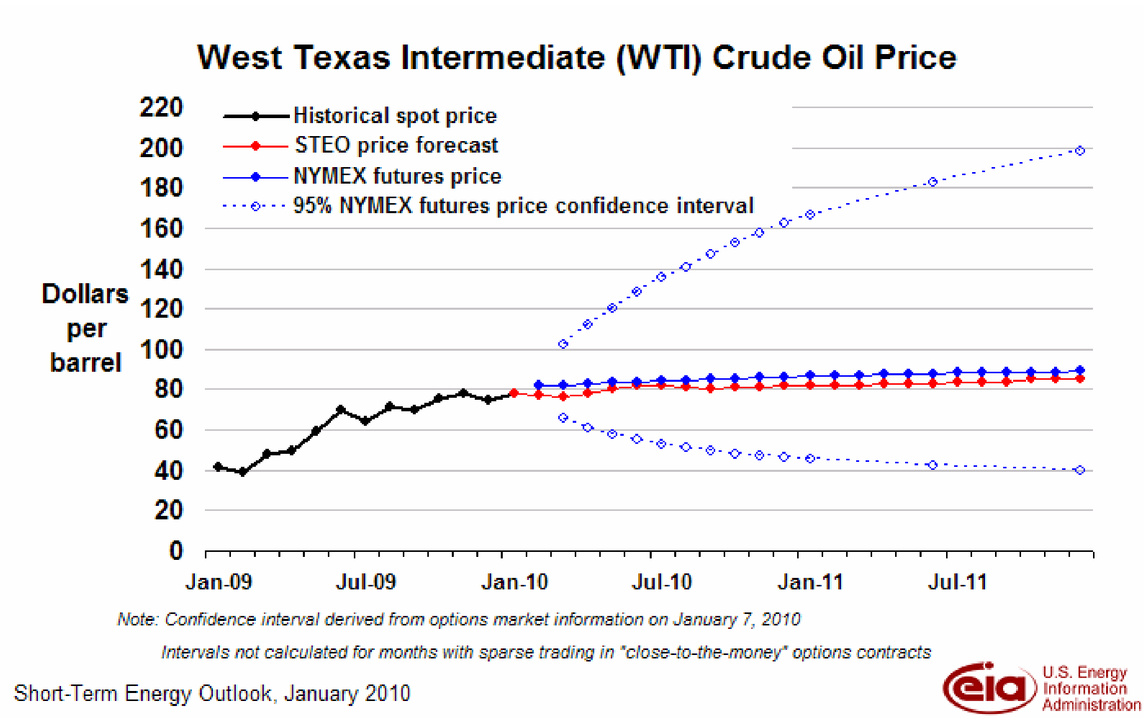
Even though global oil inventories and spare production capacity remain very high by historical standards, expectations of a continued global economic recovery have continued to support oil markets. Rapid growth from emerging markets is a positive development as these countries gobble up resources around the world to fuel their impressive expansion. The EIA expects that WTI prices, which have been trending upward since February 2009, will continue to increase in 2010.

The natural gas arena will continue to see consolidation as many large natural gas firms are being scooped up by their larger integrated oil and gas counterparts in a wave of merger and acquisitions activity. However, the EIA estimates that total annual natural gas consumption is forecast to remain relatively unchanged in 2010. Higher natural gas prices in 2010 are expected to cause a 2.8% decline in natural gas consumption in the electric power sector, which will offset growth in the residential, commercial, and industrial sectors. The Henry Hub Natural Gas spot price averaged US$5.50 per Mcf (1,000 cubic feet) in December 2009, US$1.73 per Mcf higher than the average spot price in November. Prices were affected by the colder-than-normal weather in December, which contributed to an increase in total consumption. Continued high storage levels combined with enhanced production capabilities and slow consumption growth are expected to keep prices from rising dramatically.

Energy sector Exchange Traded Funds (ETFs) have been appearing on numerous analyst lists as the potential top performers for 2010 based on the year's chilliest first two weeks experienced in years. Energy Select Sector Spider (XLE) has already been up 5% YTD as at the end of trading on 14 January 2010. For the year 2009, XLE climbed 22%. The Market

Vector Coal ETF (KOL) has already gained approximately 10% YTD as at 14 January 2010. Coal inventories in China are diminishing based on the increased demand and consumption and power companies are loath to lock in year-long coal contracts because of volatility in coal prices. Analysts are speculating that these companies may turn mergers and acquisitions with coal suppliers in order to obtain their energy sources.

In the commodity market as a whole, the first decade of the 21st century paved the way for commodity indexing as a primary part of the traditional stocks, bonds and cash portfolio mix. The S&P Goldman Sachs Commodity Index (GSCI), which is designed to provide investors with a reliable and publicly available benchmark for investment performance in the commodity markets, advanced 0.86% in December to post a 13.5% gain for 2009. For the decade, the S&P GSCI posted a cumulative total return of 63.7%. Last year the CRB index rose by 30% and investment flows into the commodity sector rose by more than USD$60 billion. Though possible carbon legislation may pose a threat to some within the industry (natural gas may benefit being the cleaner alternative to coal), if the first two weeks of 2010 are any indication of future performance, the energy sector is off to a promising start.



Current Happenings in Local and International Markets:

- Williams: 2% growth for economy in 2010
- Two leave Angostura Board
- Advances dominate trading activity
- World tourism to rebound from crisis in 2010, says UN
- U.S. Stock-Index Futures Retreat: Freeport, Google, Amex Drop
- Stocks, Metals Fall on China Rates, Obama Concerns; Yen Rises
- Dollar Falls on Concern Bank Plan will Discourage Investment
- European, Asian Stocks Decline; Deutsche Bank, ICAP Lead Drop

Table 1: Regional Market Performance (as at 22 January 2010)

Index	Closing Value	Weekly Change (%)	Monthly Change (%)	YTD Change (%)	1 Year Change (%)
TTSE Composite	766.48	-0.22	-0.37	-0.09	-9.36
All Trinidad	1,110.92	0.14	1.89	0.70	-2.18
JSE Index	75,379.92	-1.01	-7.75	-9.51	-12.64
JSE Select	1,711.47	-2.41	-5.99	-9.83	-14.74
All Jamaica	64,538.29	-1.89	-5.61	-9.06	-12.83
BSE Composite	782.92	0.10	-1.11	-0.43	-15.05

Table 2: International Market Performance (as at 22 January 2010)

Index	Closing Value	Weekly Change (%)	Monthly Change (%)	YTD Change (%)	1 Year Change (%)
S&P 500	1,091.76	-3.90	-2.35	-3.64	31.93
Nasdaq Composite	2,205.29	-3.61	-2.10	-4.49	50.48
Dow Jones Industrial	10,172.98	-4.12	-2.79	-3.88	25.24
German Dax	5,695.32	-3.07	-4.21	-5.84	34.98
FTSE 100	5,302.99	-2.79	-0.48	-3.59	30.87
Nikkei 225	10,590.55	-3.57	2.05	-0.60	31.53
Hang Seng	20,726.18	-4.29	-1.73	-5.03	63.74
Eurostoxx	2,836.80	-3.52	-3.70	-6.00	31.33