

# MONEY & CAPITAL MARKETS MONITOR



## R REGIONAL STOCK EXCHANGES

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### Barbados Stock Exchange

The Barbados Stock Exchange recorded an overall improvement in its performance over the third quarter of 2007, compared to previous quarters for the year. This outturn was reflected in the Composite Index, which moved from 949.14 to 982.00, representing an increase of 3.46%. Market capitalization for the Composite Index rose by 3.43% during the third quarter, from \$17.38 billion at the beginning of the period, to \$17.97 billion at quarter-end.

During the review period, the Local Index increased from 3,646.30 to 3,829.13 at end-September, representing a 5.01% increase. This movement was led by thirteen (13) local companies advancing, while five (5) declined, four (4) remained firm and four (4) did not trade during the third quarter.

For the June-September period of 2007, Barbados Shipping & Trading Co. Limited recorded the largest share price increase, with growth of approximately 63%. Barbados Farms Limited and BICO Limited followed with share price increases of 10.5% and 8.33%, respectively for the quarter. Conversely, ANSA McAl (Barbados) Limited suffered the largest decline in share price of 9.97% for the third quarter, followed by

the West Indies Rum Distilleries Limited with a 5.56% decline.

The volume leader in the regular market for the third quarter of 2007 was Barbados Shipping & Trading Limited, with 5.6 million shares traded. Barbados Shipping & Trading Limited was also the most liquid security for the period, accounting for 45% of the total shares traded in the Regular Market for the period. This was partly due to Barbados Shipping & Trading Limited being targeted for an intense takeover bid, which led to increased trading activity in the company's shares and the rise in its share price over the quarter. Barbados Shipping & Trading Limited was also the value leader for the third quarter of 2007, with the total value of its shares traded being recorded at \$48.7 million.

The Cross-Listed index moved from 2,000.74 to 2,029.04, recording a marginal increase of 1.41% over the review period. This marginal increase for the third quarter was influenced the 4.27% increase in RBTT Bank shares being offset by the declines in the share price of Neal and Massey Holdings Limited (by 3.5%) and One Carib-

bean Media Limited (by 1.73%). Market Capitalization for Cross-listed companies moved from \$7.48 billion to \$7.58 billion at the end of the third quarter, resulting in a 1.32 % increase for the period under review.

### Mutual Fund Performance

For the third quarter of 2007, local mutual funds reported their best quarterly showing for the year to-date. The overall improvement in the performance of these funds was due to the steadily increase in the price of local shares and the payment of dividends during the period.

Growth was recorded in eight (8) instances, while there was no change in three (3) mutual funds. This represented an improvement over the previous quarter's performance, when three (3) mutual funds declined. BNB Capital Growth Fund recorded the largest quarterly increase of 7.69%; this was a vast improvement from the second quarter performance of a 0.85% decline. Following closely behind was Roybar Investment Corporation, recording an increase of 6.72%; up from an increase of 2.11% in the previous quarter.

### Jamaica Stock Exchange (JSE)

During the third quarter of 2007, there was a significant increase in trading volume on the JSE, with the volume of shares traded amounting to 884.7 million units, valued at approximately JAM \$5,000.20 billion. Mayberry Investments Ltd was the volume leader for this quarter, accounting for 51.69% of the market activity, followed by Cable & Wireless Jamaica Ltd with 16.76% and Gleaner Company with 9.72%.

## B.S.E. VOLUME LEADERS

*July — Sep 2007*

Institution	Volume Traded (millions)
Barbados Shipping & Trading Limited	5.568
Goddard Enterprises Limited	1.851
Banks Holdings Limited	1.543
Sagicor Financial Corporation	1.134
Insurance Corporation of Barbados Limited	1.063

Source: Barbados Stock Exchange

## MUTUAL FUNDS PERFORMANCE

MUTUAL FUNDS	SEP 30 '07 (BDS \$)	JUNE. 30 '07 (BDS \$)
Roybar Investment Corp.	4.13	3.87
Fortress Caribbean Growth Fund	4.75	4.49
Fortress High Interest Fund - ACC	1.3914	1.3642
Fortress High Interest Fund - DIST	1.0340	1.0130
BNB Income Fund	1.22	1.22
BNB Capital Growth Fund	1.26	1.17
BNB Property Fund	1.71	1.71
CLICO Balanced Fund Inc.	1.20	1.16
Sagicor Global Balanced Fund	2.16	2.10
Sagicor Select Growth Fund	1.15	1.11
Sagicor Preferred Income Fund	1.03	1.03

Source: Barbados Stock Exchange

The JSE Index recorded an overall increase for the third quarter of 2007, moving from 90,069.93 at the beginning of the period, to end at 97,885.05, up 8.62% as at end-September.

Over the review period, 29 companies advanced, 9 declined and 4 remained unchanged. Among the major companies advancing was Salada Foods, which registered the best performance of a 109.38% increase in its share price - to reverse the previous quarter's decline. Mobay Ice Company had a 73.57% increase and Ciboney Group a 66.67% rise. Supreme Ventures moved from being

the best advancing company in the second quarter to become the major decliner in this quarter, of 32.35%.

#### **Trinidad and Tobago Stock Exchange (TTSE)**

During the third quarter of 2007, the TTSE Index made a turn around to record an increase of 1.94%, moving from 918.79 points to close at 936.57 points by end-September. During the quarter (14) fourteen companies advanced, while (14) fourteen also declined and (2) traded firm.

Barbados Shipping & Trading Company Limited headed the

list of advancers with 66.76%. Guardian Holdings Limited followed with 27.62% and L J Williams Limited with 10.83%. National Flour Mills Limited was the major declining company, falling by 42.86%.

National Flour Mills Limited was the top volume leader with 5,916,176 shares (15.95% of the market), followed by Barbados Shipping & Trading Company Limited with 5,157,392 shares traded (13.90% of the market).

### **THIRD QUARTER 2007 TOP-TEN REGIONAL PERFORMERS By Share Price Appreciation (%)**

<b>BARBADOS (%)</b>		<b>JAMAICA (%)</b>		<b>TRINIDAD (%)</b>	
B'dos Shipping & Trading	63.34	Salada Foods	109.38	Barbados Shipping & Trading Company Limited	66.76
Barbados Farms	10.50	Mobay Ice Company	73.57	Guardian Holdings Limited	27.62
C&W BARBADOS	9.01	Ciboney Group	66.67	L.J. Williams Limited	10.83
Bico	8.33	FirstCaribbean International Bank Jamaica	62.92	Flavorite Foods Limited	9.89
West India Biscuit Co.	4.88	Mayberry Investments Limited	49.79	Trinidad Cement Limited	6.76
RBTT Fin. Holdings Ltd	4.27	Carreras Group	27.21	Neal & Massy Holdings Limited	5.73
Insurance Corporation of Barbados	4.17	Pegasus Hotel	21.83	Sagikor Financial Corporation	5.56
Almond Resorts Inc.	3.90	Gleaner Company	18.92	RBTT Financial Holdings Limited	5.46
Goddard Enterprises Ltd.	2.99	Pulse Investments	15.00	Dehring Bunting & Holding Limited	4.76
Banks Holdings	2.75	Caribbean Cement	14.94	Agostini's Limited	3.84

## INTEREST RATES

### United Kingdom

Towards the end of the third quarter of 2007, the Monetary Policy Committee (MPC) of the Bank of England (BoE) kept British borrowing costs at 5.75%, following a 25 bps. hike in July. The tightening phase by the BoE was tempered by concerns about the impact of the global credit squeeze on the domestic economy, as borrowing costs were kept at the highest level for six and a half years. Though slowing, British economic data highlight that the economy has been stronger than market expectations. However, following the difficulties faced by Northern Rock – the mortgage lender – commercial banks became cautious with respect to lending cash to each other, amid fears over possible exposure to the US housing market slump – creating a local credit crunch.

British interest rates were hiked on five occasions between August 2006 and July 2007, each time by a quarter-point, to tackle high inflation. As a result, Britain's consumer price index (CPI) has fallen dramatically, to stand at an annual rate of 1.8% at end-September 2007. Market indications point to the BoE keeping interest rates steady throughout the rest of the 2007.

### Canada

During the July to September period, as expected, the Bank of Canada (BoC) tightened its monetary policy stance, and it raised its key overnight interest rate by a quarter point to 4.5% – the first rate hike since May 2006. The overnight rate is the rate major banks charge each other for overnight loans. A change in the benchmark rate

often prompts changes in the interest rates charged to consumers. In taking the tightened stance, the BoC also signaled that future rate increases in the overnight rate may be required to bring inflation back to the target over the medium-term.

The market anticipates that there will be another 25 bps. hike before the end of the year, as the BoC noted that the increase in interest rates was to keep inflation in check since the previous quarter's figures in July were higher than projected, and above the 2% inflation target. With the proactive action the BoC expects core inflation to drop to within the 2% target by early 2009. The next decision by the Bank of Canada on interest rates is slated for Oct. 17, 2007.

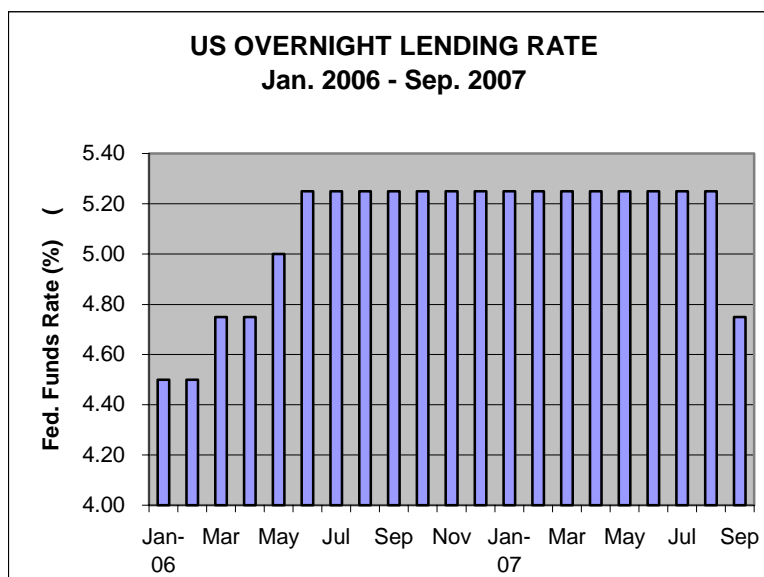
### United States

During the quarter ending September, it was reported that despite the

credit crunch and the rapidly weakening housing market, the US economy grew by 3.9% – the fastest in 1½ years.

Despite this resilient performance by the US economy, the Federal Reserve (Fed) unexpectedly cut its key Fed. Funds interest rate by 50 bps. in September. The action was taken largely to protect the economy from the ill effects of the credit crunch that accompanied the turmoil in the sub-prime segment of the flagging housing market. The Fed's first rate cut in over four years, pushed the Fed Funds rate to 4.75% by the end of September.

The financial markets immediately responded to the cuts and the outlook, as the Dow Jones industrials jumped more than 130 points on the announcement. It is further anticipated that the Fed will continue cutting rates, by at least another 25 bps.





in the upcoming quarter. However, as the economy picked up, so did inflation, although the rise was not sufficient to impact on the economy.

The Fed's overriding concern is that problems in housing and harder-to-get credit could seriously curtail spending and investing, dealing a dangerous blow to the national economy. With the probability of this scenario increasing, estimates point to growth in the October-to-December quarter slowing to around 2% or less.

**Eurozone**

The European Central Bank (ECB) held its benchmark rate steady at 4% during the third quarter, a move that comes amid unsettled global markets and as inflation in the 13-nations eurozone remains below the ECB's warning level. Inflation in the euro zone has been within the ECB's guidelines of just under 2%, easing to just 1.8% in August from June's 1.9%.

Though there was a weakening effect on European business confidence by the credit market conditions and sentiment, the euro hovered around an all-time high of US\$1.38. A narrowing interest rate gap between the

United States and Europe has steadily undermined the dollar and such fundamentals will cause the ECB to be cautious in its actions hence the continued pause at 4%, following turbulence in August in debt and equities markets.

The market noted that this neutral stance came as a result of market volatility and of concern that an expanding sub-prime loan crunch in the U.S. may have knock-on effects in Europe. Still, it believes that towards year-end the ECB will seek to tightened and push rates up to 4.25% following eight such increases since the bank began raising rates in December 2005.



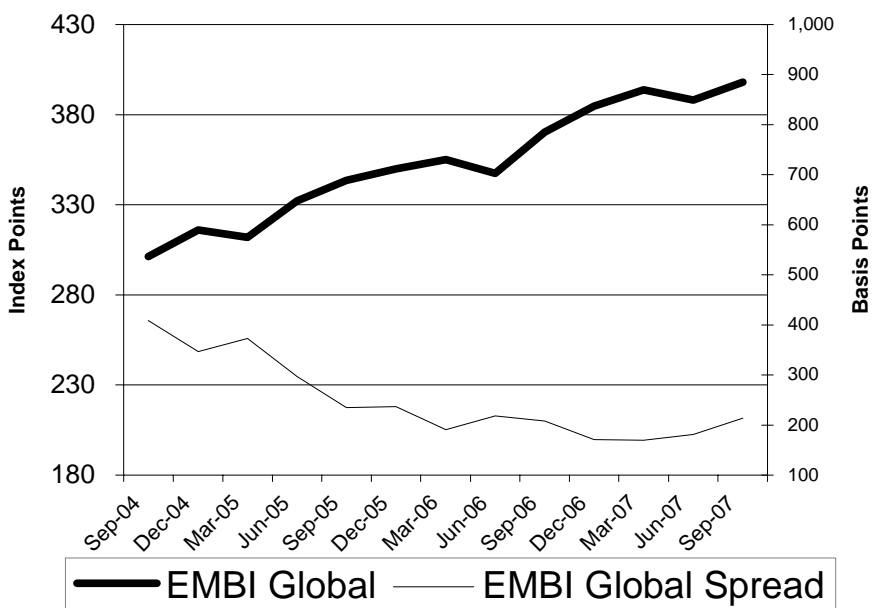
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**MERGING  
MARKETS**

**EMERGING MARKET BOND INDEX & INDEX SPREAD  
Sep. 2004 - Sep. 2007**

**Bond Markets**

In light of the uncertainty amongst global investors surrounding the U. S sub-prime mortgage securities, emerging bonds spreads grew moderately for the third quarter of 2007, while the global emerging bond index increased by only 10 basis points during the period. Consequently, Asian bond sales plummeted by about 75% for the review period, which was the biggest loss registered in six years, as the US liquidity and credit crunch took effect. Companies in Asia, excluding Japan, sold approximately \$4.4 billion in bonds dominated in US dollars, Euros and the Yen during the third quarter of 2007, compared to a record \$17.7 billion in the same period in 2006.



## EMERGING EQUITY MARKET INDICES (Quarterly)

COUNTRY/REGION	INDEX	Jun-07	Sep-07	% Ch
Argentina	Merval	1644.85	1587.55	-3.5
Brazil	Bovespa	54392.06	60465.06	11.2
Chile	IPSA	3470.18	3249.00	-6.4
Mexico	IPC	31151.05	30296.19	-2.7
Venezuela	Caracas	39698.12	37282.79	-6.1
<b>Latin America</b>		<b>3754.18</b>	<b>4139.64</b>	<b>10.3</b>
China	Shanghai	3820.703	5552.301	45.3
Hong Kong	Hang Seng	21772.73	27142.47	24.7
India	Mumbai	14650.51	17291.1	18.0
Indonesia	Jakarta	2139.28	2359.206	10.3
Malaysia	Kuala Lumpur	1354.38	1336.30	-1.3
Philippines	PSE	3660.86	3572.90	-2.4
Singapore	Straits Times	3548.20	3706.23	4.5
South Korea	Seoul	1743.60	1946.48	11.6
Thailand	SET	776.79	845.50	8.8
Taiwan	Weighted	8883.21	9476.52	6.7
<b>Asia</b>		<b>435.61</b>	<b>513.35</b>	<b>17.8</b>

## Emerging Market Currencies

(Quarterly)

COUNTRY/REGION	CURRENCY	Jun-07	Sep-07	% Ch
Argentina	Peso	3.09	3.15	1.9
Brazil	Real	1.93	1.83	-5.2
Chile	Peso	527.55	510.47	-3.2
Mexico	Peso	10.81	10.94	1.2
Venezuela	Bolivar	2147.30	2147.30	0.0
China	Yuan	7.61	7.51	-1.3
Hong Kong	Dollar	7.82	7.77	-0.6
India	Rupee	40.70	39.77	-2.3
Indonesia	Rupiah	9025	9105	0.9
Malaysia	Ringitt	3.45	3.41	-1.2
Philippines	Peso	46.19	44.95	-2.7
Singapore	Dollar	1.53	1.48	-3.3
South Korea	Won	923.60	915.25	-0.9
Thailand	Baht	31.70	31.88	0.6
Taiwan	Dollar	32.85	32.67	-0.5

Similarly, Latin American bond sales slowed somewhat when compared to the review period of last year, as the collapse in the US sub-prime market sparked a sectoral reassessment of credit instruments, collateral assets such as collateralized loan obligations and collateralized debt obligations, as well as risks and profitable returns.

### Equity Markets

During the review quarter, the emerging Asian equities were among the best performers in this segment of the market, continuing to show robust growth despite speculation that some stocks were linked to debt crisis in the U.S market. Although the Latin American stock markets performed well below their Asian counterparts the Brazilian Bovespa was the only Latin American index under review to register double-digit growth for the third quarter of 2007.

China's Shanghai index and Hong Kong's Hang Seng index rose by 45.3% and 24.7%, respectively. Global initial public offering (IPO) activity was driven by the emerging markets of Brazil, Russia, India and China (BRIC), which together raised about US\$27 billion in a record 118 IPO's, including (7) seven of the (10) ten largest IPO's in the third quarter. Companies in China and Hong Kong raised an estimated US\$14 billion through IPO's in the third quarter of 2007, more than twice the US\$6 billion raised in the corresponding period of 2006. China alone completed a record 77 IPO's for the quarter, compared to 31 IPO's in the same period a year earlier.

In Brazil the leading stocks within the Bovespa index were Aracruz Celulose and Cia. de Bebidas das

Source: Bloomberg Service

Americans, which increased by 2.4% and 2.7% respectively over the review quarter. On the other hand, the IPSA index in Chile declined by 6.4%, as the 3.1% rise in the share prices of Compañía Cervecerías Unidas (a beer brewer), was insufficient to offset the fall in stocks such as the Masisa on the American market. Similarly, the Mexican IPC declined by 2.7% for the third quarter, with the stock of Cydsa (producers of plastic piping, cellophane and sweaters) falling by 4.2%.

### **Currency Market**

The emerging currency markets were relatively volatility during the third quarter of the year, as they were affected by a growing credit crisis and the associated investor risk aversion. The Brazilian *Real* and Chilean *Peso* declined by 5.4% and 3.2%, respectively. In contrast, the Mexican *Peso* and the Argentine *Peso* rose by 1.2% and 1.9%, respectively, over the review period.

China's *Yuan*, India's *Rupee* and Hong Kong's dollar, all depreciated during the third quarter of 2007, as these economies faced increasing inflationary pressures. The robust capital inflows in India, also served to place enormous pressure on the *Rupee*, which declined by 2.3% in the third quarter of the year, while the Singapore and Taiwan's dollar along with the South Korea's *Won*, decreased by 3.3%, 0.5% and 0.9%, respectively.

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