Local Market Review

RFHL enjoyed the largest gain last week, jumping $0.82 to close at $101.82. This may be due to improved year end performance released last Thursday, reducing its P/E multiple to market. Conversely, UCL continues to face significant fallout effects, falling $1.25 to $38.75, a 4 year low.

Local Fixed Income Review

The local fixed income market continues to trade with stable liquidity conditions. No major trading activity has been recorded over the last week.

Local Market Review

Last week, the First Tier Market volume amounted to 1.95 million units valued at over $21.65 million, representing a 15.2% decrease in traded units and 43.6% increase in value, versus the prior week’s activity. JMMB Group Limited (JMMBGL) emerged as last week’s volume leader, with 646,455 units (33.03%), followed by One Caribbean Media (OCM) with a volume of 364,456 units (18.62%) being traded. Grace Kennedy Limited (GKC) contributed 299,677 units or 15.31% to overall market activity.

Overall market activity resulted from the trading activity of 23 stocks of which 9 advanced, 6 declined and 8 traded steady. RFHL enjoyed the largest gain last week, jumping $0.82 to close at $101.82. This may be due to improved year end performance released last Thursday, reducing its P/E multiple to market (2016 P/E multiple: 18.51 times). Conversely, UCL continues to face significant fallout effects, falling $1.25 to $38.75, a 4 year low. Tempered demand continues to affect local companies as seen in softened company performance releases.

Local indices weekly performance:

- The Composite advanced by 20.85 points (↑ 1.65%) to close at 1,283.07. (YTD Return: ↑ 6.08%).
- The All T&T Index declined by 6.88 points (↓ 0.39%) to close at 1,754.27. (YTD Return: ↓ 4.36%).
- The Cross Listed Index advanced by 6.67 points (↑ 6.49%) to close at 109.42. (YTD Return: ↑ 39.97%).
Local Fixed Income Review

The local fixed income market continues to trade with stable liquidity conditions. No major trading activity has been recorded over the last week.

**Regional Sovereign Benchmark Yields (Bloomberg):**

<table>
<thead>
<tr>
<th>Issuer</th>
<th>~10 Yr Yield</th>
<th>~30 Yr Yield</th>
<th>Credit Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commonwealth of the Bahamas</td>
<td>4.92%</td>
<td>BB+</td>
<td></td>
</tr>
<tr>
<td>Gov’t of Barbados*</td>
<td></td>
<td>B</td>
<td></td>
</tr>
<tr>
<td>Gov’t of Bermuda</td>
<td>3.60%</td>
<td>A+</td>
<td></td>
</tr>
<tr>
<td>Gov’t of Jamaica</td>
<td>4.70%</td>
<td>6.08%</td>
<td>B</td>
</tr>
<tr>
<td>Gov’t of the Dominican Rep.</td>
<td>4.95%</td>
<td>6.00%</td>
<td>BB-</td>
</tr>
<tr>
<td>Gov’t of Trinidad &amp; Tobago</td>
<td>4.34%</td>
<td>A-</td>
<td></td>
</tr>
</tbody>
</table>

*Source: Bloomberg

*BARBAD yield curve inverted
Regional Economic Review

Venezuela Update

The Inevitable Debt Restructuring

The inevitable default of Venezuela has come with President Maduro announcing on state television that after the payment of the maturing 2017’s on November 2nd, the country will enter into negotiations with creditors. Sanctions imposed by the US have been blamed for the default with the President noting that it has become increasingly difficult to negotiate the treacherous debt waters given the new paradigm. No official timeline has been given for the refinancing/restructuring nor have there been any details. However, there are some key discussion points, elaborated in our report, that can give creditors guidance.

(I) US Sanctions will make any restructuring difficult as there is a ban on new bonds issued by the government of Venezuela including those issued by its state-run oil company, PDVSA.

(II) The restructuring could be timely and complex given the size of Venezuela’s debt as well as the myriad of creditors owed.

(III) The credibility of the ruling party is an issue and hence creditors’ confidence in agreeing any terms with the negotiating party will be tested.

(IV) Creditors will likely ask that needed economic reforms be a part of any deal. However the Maduro administration has been resistant to structured economic reforms.

(V) The recently instituted all powerful National Constituent Assembly (ANC), which would likely have to sign off on any new debt agreement, has been declared as unconstitutional by international governments.

(VI) The government is likely to attempt to delay the default process until it is able to divert oil exports from the US to China, India and Russia.

Source: JMMBIR
International Economic Review

ENERGY UPDATE
Oil markets crept higher

Crude oil markets saw higher than expected prices last week, climbing to two-year highs. U.S. West Texas Intermediate (WTI) crude closed at US $56.74 last Friday while Brent crude was at US $64.22 a barrel.

The higher prices are supported by the efforts led by the Organization of the Petroleum Exporting Countries (OPEC) and Russia to tighten market supply, coupled with stronger energy demand and rising political tensions. There is also market speculation that the output deal will be extended at OPEC’s next meeting on Nov. 30, beyond the current expiry date in March 2018.

On the backdrop of these speculations, oil prices are now projected to average higher during 2018.

CHINA ECONOMY
China seeks to position itself as a major global finance hub

China, the world’s second-biggest economy, is seeking to position itself as a major global finance hub by widening foreign access to its giant financial sector. This move, announced by Vice Finance Minister Zhu Guangyao, follows U.S. President Donald Trump appeal for better access to Chinese markets.

Changes include raising the limit on foreign ownership in joint venture firms involved in the futures, securities and funds markets to 51% from the current 49%, with immediate effect.

This major development is will boost foreign direct investment into China and potentially encourage further economic growth.