

**Equity Research Team**

Gia Singh (Ext 2264)  
[gias@wisett.com](mailto:gias@wisett.com)

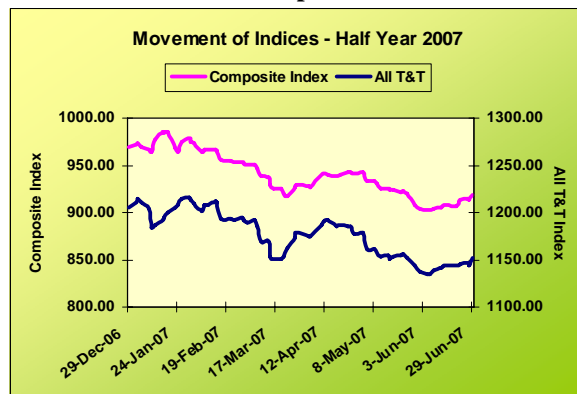
Nancy Chen (Ext 2225)  
[nancyc@wisett.com](mailto:nancyc@wisett.com)

**FIRST HALF 2007 (JANUARY–JUNE)**

**Local Market Summary**

The downward trend of the equity market continued from the first quarter of 2007 into the second quarter with both indices ending the first half of 2007 in negative territory. The Composite Index fell 50.3727 points or 5.20 per cent to 918.7942 while the All T&T Index closed the first half at 1152.4044, down 53.3216 points or 4.42 per cent (See Graph 1). Investors can however, find some solace when comparing the first half of 2007 to the same period in 2006 which produced much larger declines. In the first half of 2006, the Composite Index fell 13.78 per cent while the All T&T Index declined 11.69 per cent. Additionally, for the first half, WISE's Top Picks for 2007 outperformed the market with an average portfolio return of 6.76 per cent (See Table 1). Advances outnumbered declines by a margin of 16 to 13.

**Graph 1**



**Table 1**

WISE TOP PICKS				
	Company	Open	Close	Change
1	AMCL	\$43.75	\$48.45	10.74%
2	NML	\$42.66	\$45.40	6.42%
3	SBTT	\$27.03	\$28.50	5.44%
4	TCL	\$7.01	\$7.25	3.42%
5	OCM	\$18.99	\$20.47	7.79%
Avg. Return				6.76%
Comp. Index		969.1669	918.7942	-5.20%
All T&T Index		1205.7260	1152.4044	-4.42%

Market activity continued to be slow for the first half of 2007, with a total of 50,689,882 shares changing hands valued at \$1,054,362,729.39. This represented a decline of 33.26 per cent when compared to the 75,946,475 shares valued at \$1,420,071,445.46 traded for the same period in 2006. Additionally, trading for the second quarter of 2007 slowed considerably with 15,173,747 shares valued at \$274,956,324.04 changing ownership, down a significant 57.28 per cent when compared to the 35,516,135 shares valued at \$779,406,405.35 traded in the first quarter.

The volume leader for the first half of 2007 was National Commercial Bank Jamaica (NCBJ) with 10,130,352 shares traded or 19.98 per cent of the market. Republic Bank Limited (RBL) followed with 7,660,925 shares changing hands or 15.11 per cent of all trades. Trinidad Cement Limited (TCL) came in as the third volume leader with 4,913,315 shares crossing the floor or 9.69 per cent of the total volume traded. Incidentally, these were also the three volume leaders for the first quarter of 2007.

The major advance for the first half of 2007 went to Readymix Limited (RML), which rose an outstanding 75.83 per cent or \$3.20 to end the period at \$7.42. Following as the second major advance was PLIPDECO (PLD), rising \$2.18 or 18.04 per cent to \$8.18. ANSA Merchant Bank Limited (AMBL) was next in line, advancing \$3.31 or 17.65 per cent to \$22.00

Jamaica Money Market Brokers Limited (JMMB) was the major decline for the first half of 2007, moving from a 52 week high of \$1.85 to end the half year at

\$1.00. This represented a considerable decline of 45.95 per cent or 85 cents. In Jamaica, this share closed the six month period at JMD9.32. Capital & Credit Merchant Bank Limited (CCMB) came in as the second major decline, down 75 cents or 39.39 per cent to \$1.00. This share closed at JMD9.85 in Jamaica. Guardian Holdings Limited (GHL) followed, falling \$8.41 or 30.04 per cent to close the first half at \$19.59.

**Table 2**

Top 5 Advances for HY 2007				
	Company	Open	Close	Return
1	RML	\$4.22	\$7.42	75.83%
2	PLD	\$6.93	\$8.18	18.04%
3	AMBL	\$18.70	\$22.00	17.65%
4	PHL	\$5.50	\$6.22	13.09%
5	WCO	\$24.00	\$26.99	12.46%
Top 5 Declines for HY 2007				
	Company	Open	Close	Return
1	JMMB	\$1.85	\$1.00	-45.95%
2	CCMB	\$1.65	\$1.00	-39.39%
3	GHL	\$28.00	\$19.59	-30.04%
4	DBG	\$2.50	\$2.10	-16.00%
5	NEL	\$7.51	\$6.31	-15.98%

**Highlights for the First Half of 2007**

- Sagicor Financial Corporation (SFC) was listed on the London Stock Exchange on February 14.
- Effective March 1, the Barbados Stock Exchange (BSE) began trading five days a week instead of three days.
- On March 2, GraceKennedy Ltd (GKC) acquired United Kingdom-based food supplier WT (Holdings) Ltd Group (WT Foods), for £23 million (JMD3.04 billion) from Bridgepoint Capital Ltd. The Jamaican conglomerate plans to use the operation to launch its own distribution and sales network in Europe.
- In an effort to revive T&T's faltering stock market, on March 23, the Government announced its plans to increase the amount that pension plan providers can invest in equity holdings from 50 per cent to 70 per cent of their total assets.
- On May 1, Scotia Group Jamaica Ltd (SGJ) listed on the Jamaica Stock Exchange (JSE) offering 3.1 billion ordinary shares at JMD23.55 each. At the

same time, the Bank of Nova Scotia Jamaica (BNSJ) delisted its ordinary shares and listed 100 million preference shares at JMD1.00.

- The Board of Directors of Neal & Massy Holdings Ltd (NML) and Barbados Shipping & Trading Company Ltd (BST) on May 15 announced plans to merge their respective enterprises. Subsequently, on June 3, the directors of both companies announced that the requisite approvals with respect to the planned merger, had been granted by the Trinidad and Tobago Securities and Exchange Commission and the Barbados Securities Commission.
- On June 22, ANSA McAL Ltd (AMCL) made a bid to purchase the total outstanding shares of BST for BBD7.00 per share, as an alternative option to the merger proposition put forward by NML.

#### **Fixed Income Market Summary for 2007**

For the first half of 2007 the Central Bank has consistently managed to lower inflation. Headline inflation was last reported in May at 7.9 per cent despite the spike in April at 8.4 per cent which was caused by a rise in food, rent and transportation prices. The Government's inflation target is to end the year with headline inflation at 7 per cent compared to the peak of 10 per cent in October in the previous years.

Given the inflation environment, the Central Bank has taken the initiative to decrease the liquidity in the system; thus there has been a higher frequency of OMO, T-bill and bond issues. This has been successful to date as the commercial banks and other deposit institutions have been purchasing such securities in large volumes. The interest rates on these issues have been flat for the year with 6-month and 1-year OMO issues at 7.55 per cent and 7.70 per cent respectively.

The Central Bank has allowed other institutions to apply to become primary dealers of the T-bills and as such has facilitated better price competition and distribution. The private sector has also increased its demand in these issues in search of more stable and safer investments as the equity market continues to be volatile.

In addition, the Central Bank has worked with the banks and other financial institutions to create a bond

trading platform. This will support the further development of the country's capital markets and aid in better valuation of new and existing debt instruments. Additionally, it will encourage more robust repurchases thus supporting liquidity within the market.

#### **Outlook**

Based on the current trend, it is not expected that the equity market will rebound over the next couple of months. While fundamentally some companies are performing well, recording double digit growth, investors still remain cautious as the volumes traded continue to remain low. Furthermore the recent decline in local stock prices has prompted investors to look outside of the local stock market to the international markets, including the emerging markets, as well as other avenues such as real estate, and with the current energy boom, the energy sector, in anticipation of greater returns on their investments. Additionally, with the upcoming local elections, government policies may change and there is the possibility that new legislation may be passed that will affect investments.

#### **Market Summary for Jamaica – Second Quarter Review**

Similar to the local market, the Jamaica market also experienced bearish conditions in the second quarter of 2007. The Market Index fell 525.11 points or 0.58 per cent to close the second quarter at 90,069.93; the Select Index declined 202.75 points or 8.44 per cent to 2,402.26; and the All Jamaican Composite was down 5,073.53 points or 5.67 per cent to end the quarter at 89,456.40. The advance to decline ratio was 15 to 25.

The volume of shares traded for the quarter was 338,026,185 shares valued at over JMD2,692,607,855.84. Supreme Ventures Limited (SVL) was the volume leader commanding 40.42 per cent of the market or 136,623,681 shares.

SVL was also the major advance for the second quarter, up 61.91 per cent or JMD1.30 to close at JMD3.40. After being the major advance last quarter, Salada Foods Limited (SALF) was the major decline this quarter, down 41.82 per cent or JMD23.00 to JMD32.00.

### **WEST INDIES STOCKBROKERS LIMITED STOCK MARKET QUOTATIONS AS AT JUNE 30, 2007**

	Hist Eps	Est Eps	Est Div	Curr Price	Est Yield %	Est P/E Ratio
<b>Bank</b>						
FirstCaribbean	70.0	95.0	43.0	11.50	3.74	12.11
NCB Jca	21.0	26.0	6.0	1.95	3.08	7.50
RBTT Fin Hold	276.0	300.0	135.0	32.25	4.19	10.75
Republic Bank	401.0	760.0	265.0	79.00	3.35	10.39
Scotiabank	178.7	215.0	85.0	28.50	2.98	13.26
<b>Non-Bank Fin</b>						
ANSA Fin & Merch	177.0	215.0	90.0	22.00	4.09	10.23
Capital & Credit	11.0	14.0	1.8	1.00	1.80	7.14
DB&G	22.0	24.0	8.0	2.10	3.81	8.75
Guardian Holdings	-114.0	0.00	15.0	19.59	0.77	0.00
JMMB	7.0	8.0	1.8	1.00	1.80	12.50
National Enterprises	81.0	60.0	55.0	6.31	8.72	10.52
Sagcor Financial Corp	158.0	175.0	44.0	13.50	3.26	7.71
<b>Conglomerates</b>						
Ansa Mcal Ltd	276.0	330.0	90.0	48.45	1.86	14.68
Bdos Ship & Trad	138.0	170.0	60.0	17.00	3.53	10.00
GraceKennedy	53.3	60.0	11.0	5.40	2.04	9.00
Neal and Massy	337.0	400.00	120.0	45.40	2.64	11.35
<b>Trading</b>						
Agostini's Ltd	81.3	90.0	37.0	9.64	3.84	10.71
Furness Trinidad	47.0	60.0	0.0	6.15	0.00	10.25
L J Williams Ltd. - 'A'	0.8	0.5	0.2	0.60	0.33	120.00
L J Williams Ltd. - 'B'	15.0	20.0	9.0	1.20	7.50	6.00
Prestige Holdings	23.9	45.0	20.0	6.22	3.22	13.82
<b>Property</b>						
PLIPDECO	372.00	410.0	6.0	8.18	0.73	2.00
Valpark	47.3	47.3	0.0	5.00	0.00	10.57
<b>Manufacturing</b>						
Angostura Holdings	91.0	0.0	0.0	4.89	0.00	0.00
Berger Paints	-27.0	7.0	19.0	3.40	5.59	48.57
Flavorite Foods	67.0	80.0	35.0	4.65	7.53	5.81
National Flour Mills	-45.0	10.0	8.0	1.40	5.71	0.00
One Caribbean Media	131.0	160.0	80.0	20.47	3.91	12.79
Readymix WI	129.0	225.0	3.0	7.42	0.40	3.30
Trinidad Cement	60.0	90.0	20.0	7.25	2.76	8.06
Trinidad Publishing	117.0	145.0	65.0	20.34	3.20	14.03
Unilever Caribbean Ltd	133.0	145.0	120.0	20.47	5.86	14.12
WITCO	171.0	200.0	196.0	26.99	7.26	13.50

West Indies Stockbrokers Limited is a subsidiary of RBTT Financial Holdings Limited. From time to time West Indies Stockbrokers Limited and/or its staff may take positions in some or all of the shares mentioned in our report. West Indies Stockbrokers Limited welcomes your comments. E-mail: [info@wisett.com](mailto:info@wisett.com)