



Stock on You this Valentine's Day

Amy Carmichael, a former Protestant Missionary in India, is quoted in her biography as saying: "One can give without loving, but one cannot love without giving." Indeed every year February 14th marks the special occasion of Valentine's Day on which people across the globe express their love by giving tokens of affection usually in the form of flowers, chocolates and candy, clothing, perfumes or jewelry. I have therefore chosen to focus on companies that usually benefit from Valentine's Day spending by consumers in this week's review.

Charles M. Schulz, creator of the famous 'Peanuts' comic strip once said "All you need is love. But a little chocolate now and then doesn't hurt." Hershey (HSY), founded in 1894, is the largest manufacturer of chocolate in North America and one of the largest chocolate and candy companies in the world. Hershey's Kisses were invented in 1901 and the Hershey chocolate chips were introduced in 1928. The stock has a P/E of 22, with a dividend yield of 3.3%.

On the 2nd of February 2010 Hershey reported that its profit jumped 54% due to better pricing and improved efficiency across the supply chain. Net sales grew 2.2% to \$1.41 billion. Gross margin grew to 40.5% from 36.1% as costs fell. The company also boosted its quarterly dividend by 7.6% to 32 cents a share and projected 2010 earnings to rise 6% to 8% on net sales growth in the 3% to 5% range which is in line with Hershey's long-term objective.

There are a few risks to their outlook though as Hershey currently gets the majority of its sales from the U.S. market which has slow growth. It has also faced an uphill task in generating more sales overseas. Furthermore, the company is facing growing competition from its larger rivals especially following industry consolidation in the form of Mars Inc acquiring Wm. Wrigley Jr. Co. in 2008 and more recently Kraft Foods Inc.'s (KFT) takeover of U.K. confectioner Cadbury PLC (CBY). Average analyst estimates of the fair value for HSY are around \$38.00. Short-term entries are best taken closer to the immediate support level on the daily chart of around \$36.00.

We've all heard the saying 'love is blind' but like someone else once said, if love is blind, then why is lingerie so popular? Limited Brands' (LTD) portfolio of stores includes Victoria's Secret, Bath & Body Works, White Barn Candle Co., C.O. Bigelow, La Senza, Pink, and Henri Bendel. The company sells women's and men's merchandise through mail-order catalogs, the Internet, and about 3,000 retail outlets. Limited Brands also owns Mast Industries, an apparel importer that supplies merchandise to the company and to third parties. The stock has a P/E of 61 and a dividend yield of 3.20%.

Analyst's project that LTD's operating margin will improve due to fewer price cuts and by spreading its fixed costs over a larger sales base. Additionally, an international sales thrust should propel profits as this expansion is based on franchising agreements instead of the higher cost route of opening stores owned by the corporation. This strategy however exposes LTD to the risk of damage to its brand image if franchise holders are unable maintain the quality and pricing of its product lines.

Of some concern is the fact that Victoria's Secret and Bath & Body Works have almost achieved full saturation of its main market which is the U.S Further, new intimate apparel retailers, such as Aerie from American Eagle and Gilly Hicks from Abercrombie & Fitch, may capture market share from Pink and Victoria's Secret. Limited Brands stands to lose market share to large discount retailers like Target that now offer higher quality lingerie and beauty care products. Increased promotions and the introduction of lower-priced products in Victoria's Secret stores could also hurt its premium brand positioning over the long run. Average analyst estimates of the fair value for LTD are around \$21.00. Short-term entries are best taken on pullbacks closer to the \$18.34 area on the daily chart.

In the 1953 film 'Gentlemen Prefer Blondes' Marilyn Monroe sang and made famous the song and saying "Diamonds are a girl's best friend." Tiffany & Co. (TIF) was founded in 1837 and is one of the top jewelry companies in the world. It boasts more than 60 U.S. stores and over 100 international locations. Tiffany's flagship store in New York City houses the famous 128-carat Tiffany Yellow Diamond and it was in fact a Tiffany gemologist who developed the metric carat as a weight standard for gems. The stock has a P/E of 33 and a dividend yield of 1.7%.

TIF reported a 13% increase in global sales for the November-December holiday period on a constant currency basis (which allows companies to show performance unaffected by currency fluctuations). This figure beat analysts' expectations. New store openings and an 8% increase in comparable worldwide sales contributed to the impressive top-line results. Despite having to endure a 21% drop in sales in the previous year consumers are now spending a bit more freely on discretionary goods and this is expected to continue into 2010. That said growth in sales at Tiffany for 2010 is likely to be modest at best. Average analyst estimates of the fair value for TIF are around \$51.80. Short-term entries are best taken closer to support on the daily chart around the \$40.50-\$40.66 range.

When it comes to stocks it is always best to use one's head to think things through before investing time and money. When it comes to finding that special someone to be your Valentine - the heart is on the left, but always right.

Current Happenings in Local and International Markets:

- Manning hails falling food, construction prices
- Tougher reporting sanctions in new bill- SEC chairman
- Barbados government aims to reduce deficit
- IMF board approves US\$1.27 billion stand-by arrangement with Jamaica
- More delay in announcement of Air Jamaica sale
- Stocks plunge, bond risk climbs on deficits, U.S. Jobs concern
- Trichet Struggles to Convince on Euro-Area Solidity
- Oil Trade Near \$73 after biggest drop in six months on Economy

Table 1: Regional Market Performance (as at 4 February 2010)

Index	Closing Value	Weekly Change (%)	Monthly Change (%)	YTD Change (%)	1 Year Change (%)
TTSE Composite	782.63	2.18	2.01	2.01	-7.44
All Trinidad	1,145.34	2.80	3.82	3.82	1.15
JSE Index	74,915.22	-0.48	-10.07	-10.07	-13.06
JSE Select	1,718.32	0.03	-9.47	-9.47	-13.58
All Jamaica	63,782.78	-0.91	-10.12	-10.12	-13.60
BSE Composite	787.26	0.56	0.12	0.12	-14.09

Table 2: International Market Performance (as at 4 February 2010)

Index	Closing Value	Weekly Change (%)	Monthly Change (%)	YTD Change (%)	1 Year Change (%)
S&P 500	1,063.11	-1.98	-6.17	-6.17	27.74
Nasdaq Composite	2,125.43	-2.46	-7.93	-7.93	40.29
Dow Jones Industrial	10,002.18	-1.17	-5.50	-5.50	25.71
German Dax	5,533.24	-0.13	-8.52	-8.52	23.16
FTSE 100	5,139.31	-0.12	-6.56	-6.56	21.54
Nikkei 225	10,355.98	-0.56	-2.80	-2.80	28.82
Hang Seng	20,341.64	-0.07	-6.79	-6.79	55.71
Eurostoxx	2,707.45	-1.09	-10.28	-10.28	17.83

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