

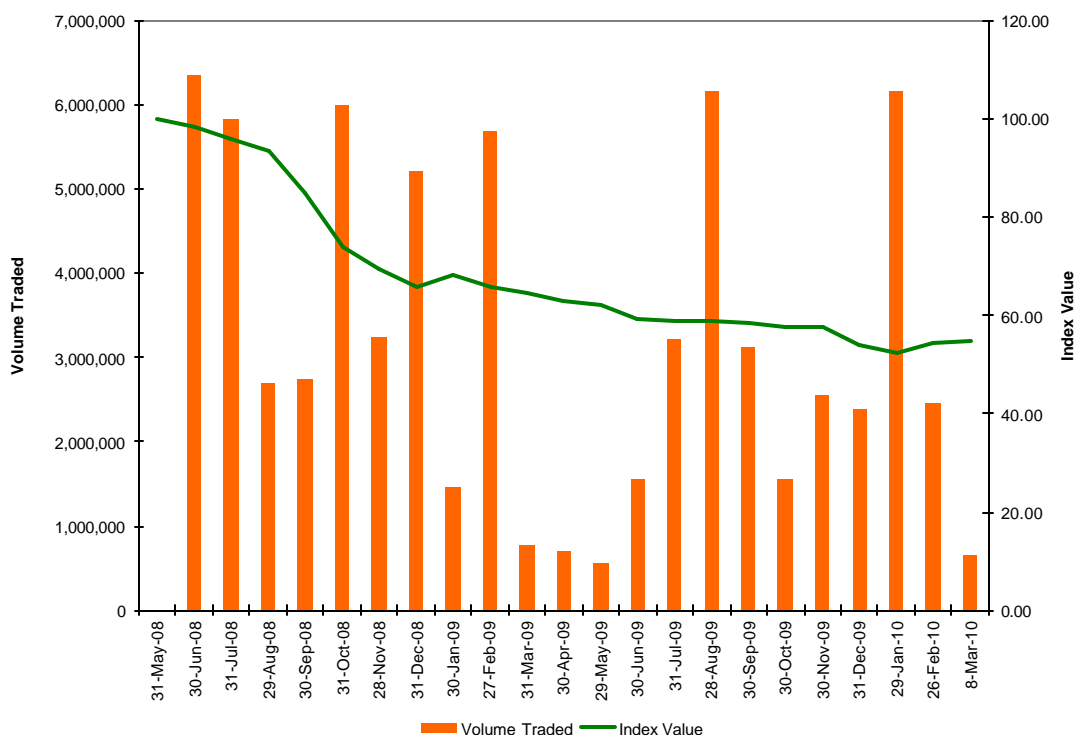


## A Cross Examination...

The Caribbean region continues to battle against low and even contracting economic growth in some cases as it deals with the downturn of the international economies. Trinidad and Tobago recorded a 5.6% y-o-y contraction in Gross Domestic Product (GDP) in the third quarter of 2009 while the Jamaican economy contracted in the range of 2% to 3% in the final quarter of the same year. Barbados also suffered a similar fate as an increase in unemployment and marked reductions in its most productive sectors led to a 6.4% decline in economic activity in the first nine (9) months of 2009. With such low levels of economic activity in the aforementioned countries, how have stocks listed on each of the respective stock exchanges performed? To gauge the general trend of stocks listed on the Trinidad and Tobago Stock Exchange (TTSE), the Barbados Stock Exchange (BSE) and Jamaican Stock Exchange (JSE), let us look more closely at the TTSE's Cross Listed Index.

In May 2008, a cross listed index was developed comprising of companies originating outside of Trinidad and Tobago. Eleven (11) companies are listed on the index and fall within the Banking, Non-Banking Finance, Trading and Conglomerate sectors. The bulk of the companies listed on the index originates from Jamaica and are mainly traded on the TTSE and JSE. Since the development of the index, there has been a general downward trend (See Figure 1) with the index closing at 54.38 at the end of February 2010, 17.34% less than the index value seen a year ago

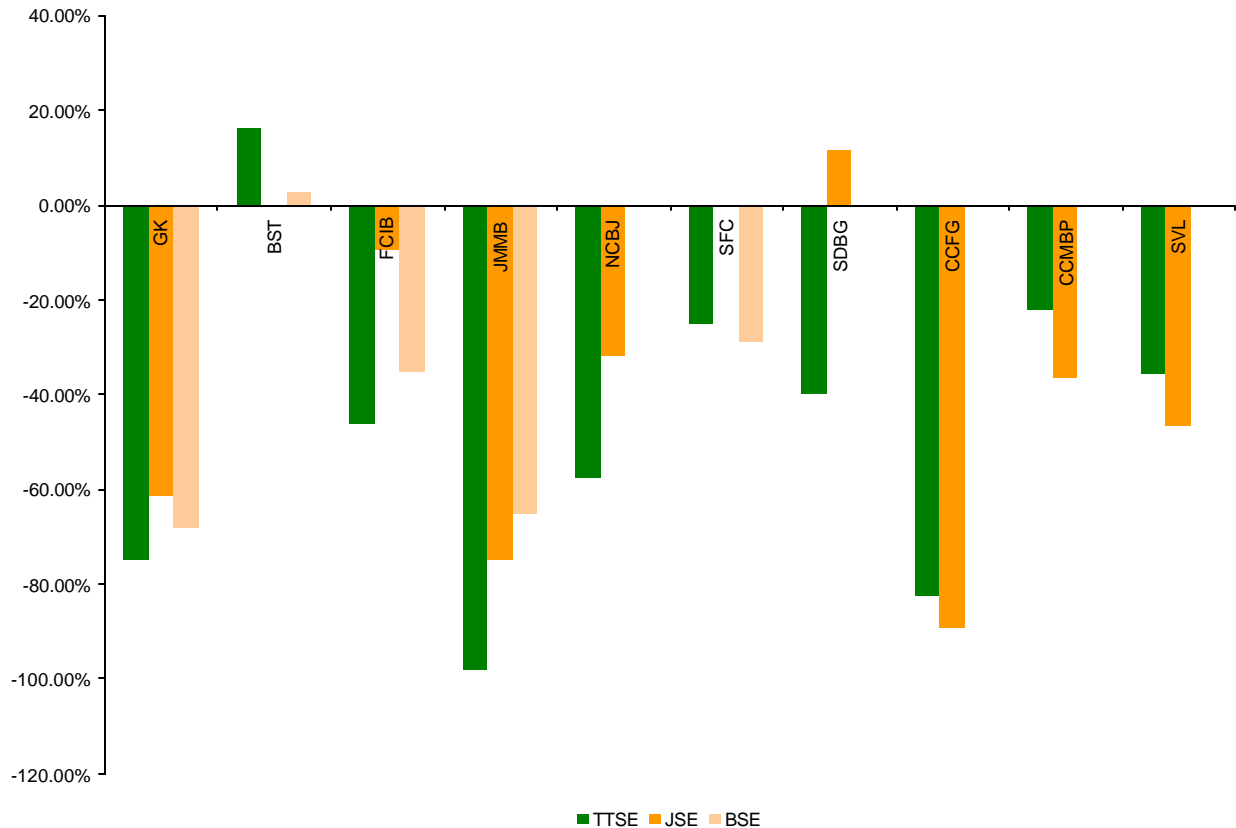
**Figure 1: Cross-Listed Index**



Source: TTSE and CSAM Equity Research

With the majority of the companies originating from Jamaica, the downfall of the Jamaican economy has hindered the performance of some of these stocks on all of the exchanges mentioned as seen in Figure 2. Over the past five (5) years, the five worst performing cross-listed stocks based on the percentage change in price have been Jamaica Money Market Brokers (JMMB), Capital and Credit Financial Group Limited (CCFG), GraceKennedy Limited (GKC), National Commercial Bank Jamaica Limited (NCBJ) and First Caribbean International Bank (FCIB). Each of these stocks have seen more than 45% negative return in price over the last five (5) years with four (4) out of the five (5) worst performing stocks originating from Jamaica.

**Figure 2: Five (5) Year Return on Price for Regionally Cross Listed Stocks**



Source: TTSE and CSAM Equity Research

**JMMB**  
 2008 and 2009 were some eventful years for JMMB with the sale of their 45% stake in CMMB to the majority shareholder, CL Financial Group, for the price of US\$41.37 million in October 2008. This was followed by the fallout of the 'CL Financial Empire' a few months later. In 2008, JMMB's stock price peaked to a high of \$1.48 in May before its continuous decline to \$0.76 by the end of October 2008. Since then, JMMB's stock price has continued to plunge to trade at a four (4) year low of \$0.25 in March 2010 which is almost 87% less than the \$1.85 price seen in 2006, notably the highest price seen for this stock over the past four (4) years. From 2006-2009, the trading frequency for this stock averaged 25.33%. The volumes currently traded in this stock have declined significantly, to 2,678,415 shares traded for all of 2009, from the numbers seen in 2006 when the total volume traded for the year amounted to 97,579,400. Already three (3) months into 2010, the total volume traded for the year is 15.53% higher than the total volume traded for all of 2009 while the trading frequency is at 48%, more than double the trading frequency seen in January to March 2009 which provides some indication that there is a growing market for this stock.

## **CCFG**

Since being listed on 15 May 2008 at \$0.85, CCFG's share price fell to a low of \$0.69 by the end of 2008 with 1,374,172 shares traded with a trading frequency of 19.7%. The stock price fell further in 2009 by \$0.17 as the volume traded plunged by 96.26% with an even lower trading frequency of 5.24%. So far, for 2010, there have been no trades in this stock with the price still at a low of \$0.52. With the company's main business being 'holding investments in business enterprises', the slump in the Jamaican economy did not bode well for CCFG as seen in the recent release of its audited financial statement for the year ended December 2009. From 2008 to 2009, total income fell by 62.01% mainly due to the loss seen in the disposal of securities available for sale. Meanwhile, expenses were up by 28.54% due to increases in bank charges, professional fees and finance charges. Currently, there are over 1 million shares being offered on the market at a price of \$0.47.

## **GKC**

GraceKennedy Limited was one of the first companies to be cross-listed at a price of \$3.30. The earliest records date back to May 2005 when GKC traded at \$12.45 then fell to approximately \$5.00 from July 2006 to December 2007. Prices spiked again in July 2008 to \$8.51 and then fell to \$3.02 at the end of February 2010. From 2008 to 2009, debatably one of the most trying periods for the Jamaican economy, GKC lost \$3.20 in value while the volumes traded in this stock fell by 38.28%. While the price and volumes fell, the trading frequency saw a marginal increase from 42.55% to 45.56% over the same period. Thus far, in 2010, market activity for this stock has definitely increased with the stock price appreciating by 46.67% to \$4.40 on 17 March trading twenty-six (26) out of the fifty-one (51) trading days, four (4) days more than it traded during the same period in 2009.

## **NCBJ**

At a price of \$1.55, NCBJ was listed on the exchange just over seven (7) years ago and reached a high of \$2.30 in February 2007 during the period of 2006-2010. Following 76.17% increase in the volume traded from 2006-2007, the volumes traded in this stock have declined while the trading frequency has been fluctuating. NCBJ's trading frequency averaged 41.59% from 2006-2009 with the most activity seen in the year 2008. Thus far in 2010, NCBJ has traded twenty-four (24) out of the fifty-one trading days, four (4) days short of the level seen over the same period in 2009. Since reaching \$2.30 in February 2007, NCBJ traded close to \$2.00 until September 2008 when its share price did a nosedive to a low of \$0.80 in January 2009 before increasing to trade at around \$1.00 until March 2010. Strictly looking at the market, while NCBJ's stock price (at the time of writing) is still sixteen (16) cents shy of its 52-week high, the stock price is up 9.8% for the year with a high number of outstanding bids on the market.

While the return on these stocks have been negative over a five (5) year term with some of the lowest prices seen in 2008 and 2009, it begs the question 'Is the worst over or yet to come?' for these Jamaican stocks. So far, in 2010, three (3) out of the four stocks mentioned, have yielded positive returns based on price appreciation with JMMB up 3.6%, GKC up 45.7% and NCBJ up 9.8% each originating from different sectors of the market. High debt levels, a depreciating exchange rate and sovereign rating downgrades have taken a toll on the Jamaican economy and no doubt its stocks and it remains up to the investor to decide how much risk and possible losses they are willing to be exposed to and for how long. Investing in stocks has a lot to do with timing and keeping on top of all the excitement surrounding the given company that could affect the stock price with one goal in mind, buy low...sell high.

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## Current Happenings in Local and International Markets:

- Business confidence in energy sector still low
- A wave of a new banking experience in Barbados
- Air Jamaica cuts staff
- Debt recall to cost National Insurance Fund's participation in the Jamaican Debt Exchange \$1.2b
- Fed may boost Discount Rate before Next Meeting, Economists say
- U.S. stock-index futures are little changed; Palm shares slide
- Asian Stocks record a fourth weekly rise on U.S. recovery signs
- Euro set for worst week since January on EU's split over Greece
- Carstens will probably keep Mexico's rate at 4.5%

**Table 1: Regional Market Performance (as at 18 March 2010)**

Index	Closing Value	Weekly Change (%)	Monthly Change (%)	YTD Change (%)	1 Year Change (%)
TTSE Composite	806.86	0.25	1.70	5.17	-2.30
All Trinidad	1,166.69	-0.29	0.95	5.75	3.90
JSE Index	85,823.49	1.46	9.20	3.03	6.80
JSE Select	2,235.52	1.95	17.79	17.78	29.32
All Jamaica	82,083.26	2.91	17.63	15.67	28.61
BSE Composite	756.14	-1.68	-2.91	-3.84	-13.35

**Table 2: International Market Performance (as at 18 March 2010)**

Index	Closing Value	Weekly Change (%)	Monthly Change (%)	YTD Change (%)	1 Year Change (%)
S&P 500	1,165.83	1.36	5.34	2.90	46.77
Nasdaq Composite	2,391.28	0.96	6.67	3.59	60.36
Dow Jones Industrial	10,779.17	1.58	3.72	1.84	43.98
German Dax	6,012.31	1.41	5.84	-0.60	50.45
FTSE 100	5,642.62	0.45	5.96	2.59	48.30
Nikkei 225	10,774.03	0.74	3.95	0.84	34.77
Hang Seng	21,330.67	0.48	4.45	-2.26	62.62
Eurostoxx	2,913.74	0.62	8.57	-3.45	44.30

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