



JMMB: Profits dip in First Quarter

Contracting Net Interest Margins and the accompanying challenges of competition have challenged corporate earnings results of several companies in the Jamaican financial sector. Jamaica Money Market Brokers (JMMB) saw its Earnings per Share retreat to J\$0.22 at the end of June 2006 from J\$0.30 one year ago. In its first quarter for fiscal 2006/07, Net Interest Income, which is the Group's main revenue generator, worsened due to falling interest rates which caused spreads to tighten. This was also affected by faster growth in interest expense relative to interest income. Accordingly, the Group's Profit margin fell to 17.6% from 23.8%. In its Non-Interest Income streams, JMMB realized significant returns from securities trading (216%) despite the weak showing of the equity market. Also, foreign exchange margins from cambio trading also showed a healthy improvement up J\$16.7 million from J\$7.9 million. Efficiency, measured as a percentage of non-interest expenses to operating revenue net of interest expense, deteriorated to 51%, compared to 41% for the first quarter 2006. This increase was partly due to higher salary costs to strengthen the team and to help drive overall future profit growth.

The share of profits from associate companies only contributed 18% to Operating Profit as opposed to a healthy 31% in the prior period that led to the fall of 9.4% in net revenue. Overall net profit for the period fell of 26.8% to J\$323.0 million when compared to the prior period. Profitability ratios fell when compared to first quarter ROE and ROA retreated from 22.3% and 2.1% to 18.2% and 1.6%, respectively

In the current competitive financial environment, companies are seeking to grow through mergers and acquisitions and through an expansion of their lending portfolios. As part of JMMB's regional expansion strategy, this initiative is expected to push administrative costs in the near-term. The Dominican Republic maintains a "B" positive sovereign Standard and Poor's rating. The country's foreign direct investment is increasing and capital outflows are slowing. Potential for growth in this region seems plausible. The Group's profit potential is pegged against the interest rate movements in the U.S, Jamaica and Trinidad, which given the inflationary pressures in both the U.S and Trinidad, could continue to increase in the medium term. Additionally other market conditions including soft equity markets and increasing competition in this industry indicates a certain dilution of the profit pool.

The stock has dipped some 25% and 43% year to date on the Trinidad and Jamaica Stock Exchanges,

respectively. At the end of the review period the company was trading at a P/E of 13.3 times on the local market which is above the Non-Financial industry average of 8.4 times and its peers, CCMB, 10.8 times and DB&G, 5.35 times.

Regional Market Review

The TTSE Index and All Trinidad Indices lost a further .35% in value on a week of lower trades and value than the prior week. RBTT dominated trading in the period ending 22 August as 299,436 shares changed hands. Trading in the Barbadian insurance company, Sagicor also improved and accounted for 15% of total traded volumes of 1.6 million. For the second week in a row NFM remained on top after increasing 13.5% in value. TCL was the main loser (-13%).

The Jamaican Market has erased two year gains after closing with 81,389.20 points. The market last traded at this level around March 2004. All three market gauges retreated in the review period despite more trading activity. Many Jamaican stocks releasing results in June reported losses or Net negative growth. Gleaner was the volume leader in this period dominating 45% of the traded volume and also held the record for the biggest decline (10.5%). The stock's recent half year results was dismal, similar to First Jamaica Investments, DB&G, Lascelles, Jamaica Broilers and Goodyear. Overall losers outnumbered winners 19 to 4. Cable and Wireless, Pan Jamaica and Seprod were the top three advancers gaining 4.8%, 2.2% and 2.0% in value respectively.

Trading on the Barbados equity market was minimal as 20 shares traded firm with only 2 advances and three declines. In other news, most Commercial Banks in Barbados continued reap healthy profits according to a Banking Industry report from PWC. FCIB is in the process of transforming its business to reclaim its top spot as the leading bank in Barbados after a slump in profit for 2005. The bank's profit levels were down 52% in 2005 but FCIB remains one of the most cash-rich banks along with Royal Bank of Canada in Barbados. On the other hand, the most profitable bank in the Sector was Barbados National Bank (BNB) which has generated consecutive growth over the last three years.

Table:1 Regional Market Performance

Index	Closing Value	Weekly Change (%)	Monthly Change (%)	YTD Change (%)	1 Year Change (%)
TTSE Composite	884.93	-0.33	-2.56	-17.05	-19.31
All Trinidad	1,112.03	-0.38	-2.36	-15.92	-18.07
JSE Index	81,389.20	-1.07	-1.43	-21.55	-21.13
All Jamaica	77,170.03	-1.64	-2.60	-25.34	-23.64
JSE Select	2,131.80	-1.91	-3.13	-25.14	-22.01
BSE Composite	981.16	-0.04	0.88	-5.20	-4.50

Current Happenings

- Tariffs causing high food prices, says President of Supermarket Association
- Third Euromoney win for RBTT
- Barbados stands to lose big if sugar industry is not restructured
- Coimex and Petrojam bid for large sugar factories; planning to invest US\$100 million
- Tropical storm Ernesto is forming in the Caribbean

Table:1 International Market Performance

Index	Closing Value	Weekly Change (%)	Monthly Change (%)	YTD Change (%)	1 Year Change (%)
S&P 500	1,298.82	0.26	4.72	2.37	6.31
Nasdaq Composite	2,150.02	0.02	6.42	-4.18	0.40
Dow Jones Industrial	11,339.84	0.11	4.34	4.54	7.28
German Dax	5,818.41	0.09	6.74	6.55	17.74
FTSE 100	5,902.60	0.10	3.20	3.89	10.98
Nikkei 225	16,181.17	0.68	9.18	0.43	29.94

International Market Review

The world's largest software maker, Microsoft Corporation announced a \$36 billion share buyback. This, together with a rebound in oil prices, boosted energy shares and caused the US stock market rally. Accordingly, the S&P 500 returned 0.3% for the week, while the NASDAQ Composite advanced marginally by 0.1%. The prospect that the Fed will maintain interest rates and the reports showing that inflation is being contained have also helped the stock market to recover.

In the European market, commodity stocks advanced on speculation of higher raw-material prices and better earnings expectations from more mergers and acquisitions in the industry. Anglo American Plc advanced after reports the world's second-biggest mining company is an \$80 billion takeover target. BHP Billiton climbed on news that it intends to return \$3 billion to shareholders. Both the German Dax and the wider EuroStoxx Indices advanced by 0.1% and 0.1%. Following a rebound in oil and metal prices, as well as improved corporate profit outlook, the Japan Nikkei 225 index advanced 0.7% to close with 16,181.17 points.

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