



Stock Market Weekly



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JMMB Bubbling

For its financial year ending 31 March 2006, JMMB reported an increase of 3.8% in net profit to J\$1,715.0 million or an Earnings per Share (EPS) of J\$1.17 from J\$1.13 for the prior period. Net interest income grew by a mere 2% to J\$1,949.1 million due to a faster increase in interest expense relative to interest income, as spreads tightened. Reflecting the strategic thrust towards diversification of its revenue streams, non-interest income rose by almost 16% to J\$758.8 million and now accounts for 8.5% of total operating revenue up from 7.8% at the end of March 2005. JMMB realized significant revenue gains from foreign exchange margins from cambio trading, fees and commissions, and even managed a decent return on securities trading despite the soft equity market that would have led to unrealized losses on its equity portfolio.

JMMB, which is listed on the JSE and TTSE, was seeking over J\$1 billion via a region-wide rights issue to fund its regional expansion initiatives but prudently postponed the rights issue given prevailing weak sentiment across regional equity markets. These expansion plans should manifest by mid 2006 when the company expects to enter into the Dominican Republic but contributed to the sharp rise of 23% in administrative expenses. This helped to push operating profit down by approximately 10% to J\$1,225.6 million. The major source of other income came from the share of profits of associated companies which rose by 55% to J\$615.1 million. Profitability measures fell with Return on Assets and Return on Equity down to 2.2% and 22.3%, respectively, from 2.6% and 30.8% in the prior year.

In the current competitive financial environment, companies are seeking to grow through mergers and acquisitions and through an expansion of their lending portfolios. JMMB has begun its move towards establishing operations in the Dominican Republic by mid 2006, which is part of its strategy to expand into the wider Caribbean region. JMMB was attracted to the Spanish-speaking market because of a size significantly larger than the combined markets of the English-speaking territories in which the company already has a presence.

Regional Market Review

With the short trading week, the TTSE experienced only 6 advances, 4 declines and 24 stocks trading firm. The largest advances came from NFM and PUB whose prices rose by 9.3% and 5.0%, respectively. Most of the volume movement came from FFL with over 5 million shares of approximately 6 million traded accounting for 90% of volume movement while the second largest was NML with 200,000 shares traded accounting for only 3%. The TTSE composite followed the market movement when it posted a marginal decline of 0.2% to 948.65 as the lack of demand for equity continues to weigh the market.

In Jamaica, there were 11 advances, 16 declines and 13 stocks traded firm. The largest decline of 15% came from Mbice, followed by Supreme Ventures of 8% and PJam of 5%. The major advances came from Peg of 12%, HL of 6% and BNS of 3%. This activity resulted in the All Ja Composite falling by 4% but the JSE index held its ground as it advanced by a mere 0.8% for the period.

In Barbados, the stock market had 1 advance, 2 declines and 22 shares trading flat. The upward movement came from SFC which advanced by 2%. The declines came from CSP and GDE of 1% and 0.6%, respectively. The BSE local index fell to 3,882.87 from 3,884.58

Table:1 Regional Market Performance

Index	Closing Value	Weekly Change (%)	Monthly Change (%)	YTD Change (%)	1 Year Change (%)
TTSE Composite	948.65	-0.146	2.473	-11.08	-21.933
All Trinidad	1188.70	0.46	6.62	-10.12	-23.622
JSE Index	87737.06	0.01	-0.65	-15.43	-23.138
All Jamaica	85725.96	0.108	-4.453	-17.063	-27.796
JSE Select	2367.46	0.54	-4.13	-16.86	-24.428
BSE Local	3882.87	-0.04	-0.13	-1.21	-0.902

Current Happenings

- Interconnection agreement for TSTT, Laqtel
- Govt to continue price control on materials
- Base Lending Rate increased to 10.75%
- Republic gets Fitch upgrade
- Govt seeks \$4 billion more

Table:1 International Market Performance

Index	Closing Value	Weekly Change (%)	Monthly Change (%)	YTD Change (%)	1 Year Change (%)
S&P 500	1259.84	0.259	3.570	-0.71	5.09
Nasdaq Composite	2164.74	0.28	4.21	-3.52	4.29
Dow Jones	11094.43	-0.04	3.10	2.28	5.23
German Dax	5622.43	-0.99	-6.45	2.96	25.49
FTSE 100	5652.00	-5.89	-11.27	-5.94	13.35
Nikkei 225	15859.45	1.67	-6.19	-1.56	40.77

International Market Review

U.S. stocks had their biggest decline in two weeks, probably making May the worst month in three years. The Nasdaq Composite Index erased its 2006 gain and the Dow Jones Industrial Average posted the fourth 100-point slide of May, as a retreat in the dollar on the nomination of Goldman Sachs Group Inc.'s Henry Paulson for Treasury Secretary fueled the market's decline. The S&P 500 Index lost 20.29 or 1.6% to 1,259.87 for its worst performance since May 17. The Dow average slid 184.18 or 1.6% to 11,094.43, while the Nasdaq dropped 45.63 or 2.1% to 2,164.74. The S&P 500 has dropped 3.9% in May, heading for its worst performance since December 2002. The Dow average lost 2.4% and the Nasdaq by 6.8%. The UK faced a similar situation as the benchmark FTSE 100 Index retreated by 139 or 2.4% to 5,652. Asian stocks also experienced the biggest monthly slide in more than 3 1/2 years.

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