



## Regional Equity Markets Maintain Cautious Outlook

Despite a fairly good Caribbean growth outlook these prospects are not reflected in the regional equity markets. Weak returns persist with investors seemingly wooed by relatively more attractive returns from alternative investments both within and outside the region. Investors seemed to favor investments with a lower risk threshold and institutional investors clamored for more bonds and Mutual Funds given their equity holdings constraints. The Jamaican dollar came under pressure in mid June when demand for U.S. currency peaked as investors transferred funds into U.S. dollar instruments. Also indicative of changing investment preferences was the recent oversubscription for Antigua & Barbuda's EC\$17 million 91-day Treasury bill issue. Likewise in Trinidad, the SavInvest India Asia Fund (SIAF) recently closed its oversubscribed second tranche offering. The U.S. denominated fund is the single most successful equity-based mutual fund for the year and is mainly weighted in Asian equities and aimed at attracting more regional participants from Jamaica and Barbados. The markets also contended with the threat of rising interest rates, creeping inflation, start of the hurricane season, regional cement shortage, and escalating oil prices.

### Trinidad & Tobago

Disappointing corporate results from some of the more heavily weighted stocks like RBTT, GHJ and the weak performance of the Jamaican cross-listed stocks weighed on the TTSE following its continued market correction. Meanwhile market capitalization on the TTSE retreated 16.5% from TT\$708 million in the second quarter of 2005 to TT\$591 million in the second quarter of 2006. The average P/E ratio has since fallen from 18.6 times in the prior period to 15.4 times in 2006.

The advance/ decline ratio was also symptomatic of the persistent bear market as 17 stocks retreated, only 9 advanced while 7 remained unchanged. After releasing less stellar year end 2005 and first quarter results the Guardian Holdings share price tanked hitting a low of TT\$17.99 below its book value of TT\$21.18 which may have prompted an increase in bids and pushed the stock up 20% at the end of the period. National Flour Mills recorded strong gains of 19% after the stock's 12 month low of TT\$.68 in April and was the second most traded stock on the exchange. Capital and Credit seemed to be the most favored but at a low cost while Prestige Holdings lost the most value for the period. We maintain a moderate outlook for the third quarter of 2006.

### Jamaica

Hope was renewed among investors in late April as a steady rise in volumes traded and a short revival of the Index values suggested that the Jamaican Stock Exchange had "bottomed out." The JSE Composite recorded a minimal gain of 0.5%, but overall earnings staggered as 15 of the 21 released results of listed companies reported lower profit levels when

compared to the prior year. The disruption in cement production triggered a cement shortage in the market which led to industry layoffs, lower disposable incomes and reduced sales in complementary products like steel and paints. Pulse Investments relisted in June despite an overall weak showing and has since been penalized for this courageous feat recording no trades or price movements. The outlook for the Jamaica Stock market remains cautiously optimistic.

## Barbados

The Barbados Stock Exchange (BSE) was weighed by low trading activity and falling stock prices despite good corporate earnings. The BSE Composite fell 5.6%, while the Cross-List Index lost 11.25% of its value suppressed by the poor price performance of RBTT, GK and FCIB. Soft market conditions caused the much anticipated listing of Duty Free Caribbean (DFC) to be deferred. Sagicor Financial Corporation (SFC) topped the most favored stock list, trading 49% of total shares and yielding the best return in value of 17.4%. This is not surprising given its stellar performance for year ending 2005; the best in five years as the Group remains committed to an aggressive global expansionary strategy. The outlook for the third quarter remains weak as market conditions remain unchanged with overall mediocre corporate returns, no recent cross-listings nor listings and persisting low investor confidence.

**Table:1 Regional Market Performance**

Index	Closing Value	Weekly Change (%)	Monthly Change (%)	YTD Change (%)	1 Year Change (%)
TTSE Composite	935.66	-1.63	-1.32	-12.29	-20.57
All Trinidad	1,182.13	-0.22	4.36	-10.62	-20.91
JSE Index	86,676.91	-1.07	-1.95	-16.46	-20.30
All Jamaica	80,421.26	-3.93	-6.31	-22.19	-27.93
JSE Select	2,220.18	-3.60	-5.86	-22.03	-24.76
BSE Local	3,871.14	0.03	-0.37	-1.50	-1.51

## Current Happenings

- Central bank warns of continued inflation
- Sagicor still in expansion mode
- Barbados Central bank projections show more activity in non-traded sectors
- JMMB introduces online trading
- Six Eastern Caribbean Countries to join regional single market

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S&P 500	1,240.12	0.82	-2.12	-2.26	4.10
Nasdaq Composite	2,107.06	1.01	-3.96	-6.09	2.44
Dow Jones	10,974.84	1.46	-1.52	1.17	6.81
German Dax	5,493.61	3.54	-3.15	0.60	19.78
FTSE 100	5,658.20	2.75	0.01	-0.41	10.66
Nikkei 225	14,648.41	2.37	-9.33	-9.08	26.45

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## **Eastern Caribbean**

The Eastern Caribbean Securities Exchange has nine listed stocks including two cross-listed stocks, GraceKennedy (GKC) and First Caribbean International Bank (FCIB). In the first five months of 2006, the ECSE delivered a healthy return of 3.1%, market activity recorded a substantial increase (year-on-year) and stock prices continued to trend up generally. Trading on the ESCE however is thin and infrequent when compared to its regional peers. Traded volumes more than doubled in the first half of 2006 compared to 2005 from 98,265 shares to a total of 475,599 units and was mainly dominated by the Banks. Bank of Nevis (BON) controlled 93% of total trades while the St. Kitts Nevis Anguilla National Bank Ltd (SKNB) accounted for a smaller portion, trading 6% of total volumes. Stocks gaining value were St. Lucia Electricity Services Ltd (SLES), which recorded healthy returns of 14.3%, followed by St Kitts Nevis Anguilla Trading and Development Company Ltd (TDC) (8.3%) and Bank of Nevis (BON) (3.1%). Meanwhile, cross-listed FCIB failed to record any trades for 2006, and S. L. Horsford and Company Ltd (SLH) and St. Kitts Nevis Anguilla National Bank Ltd (SKNB) both retreated by 5.6% and 3.3%, respectively. We are cautiously optimistic about the outlook for the ECSE in the second half of 2006.

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