



## US Equity Markets Hit Highs

Against the backdrop of a pause in US monetary tightening and more upbeat economic data, US equity markets are ending the month of October 2006 on a high note. On 25 October, the US Federal Reserve voted to hold overnight interest rates steady at 5.25% as it sought to gauge whether the delicate balance between economic growth and inflation had been maintained. U.S. stocks advanced on news of this pause, sending the Standard & Poor's 500 on its longest winning streak since March. The NASDAQ Composite also moved up. Most noteworthy of the trio was the Dow Jones Industrial Average, which breached the 12,000 mark for the first time in history in early intraday trading supported by positive economic data as well as strong earnings results from IBM and Intel. The Fed has signaled that it will be keeping a close watch on data relating to the outlook for both economic growth and inflation before making its next interest rate move.

More business consolidation and M&A news affected market performance in October. A proposed partnership between GM and Nissan-Renault failed to materialize after some three months of discussion. On a more positive note, however, Google Inc. confirmed its decision to acquire YouTube Inc for US\$1.65 billion in Google stock by the end of the fourth quarter. Shares of Google rallied to US\$480.78 surpassing its previous all time high of US\$475.11. On the retail end, toy retailers' main competition this Christmas is likely to be from the gaming system manufacturers, namely, Nintendo with the launch of the Nintendo Wii as well as Microsoft's Xbox 360. Mattel Inc. reported healthy third quarter profits and is poised to enter the Christmas season on a positive note.

On 11 October, news of a small airplane accident in New York caught investors off guard and caused US equity markets to drop slightly. Despite this, the markets quickly recovered after it was determined that the incident was not terrorist-related.

Asian stocks rose in U.S. trading after the Federal Reserve left interest rates unchanged and said inflation is likely to ease. BHP Billiton, the world's largest mining company, led the advancers. Asian equity markets was also spurred by increased profits forecasts by large companies like Honda Motor Co. Japan's Nikkei 225 Index gained 1% during the week ending 25 October, while the Hang Seng increased 0.7%. A rebound in energy stocks boosted the performance of the European equity markets as oil prices recovered. BP Plc and Shell, which are the region's largest oil companies, paced the advance. The German Dax gained 2.1% for the review period, while the broader Eurostoxx index advanced 1.6%.

By 25 October, the TTSE was down 19% for the year so far. Market activity slowed as traded volume contracted by 31% and some 20 stocks remained unchanged while declines outnumbered advances 9 to 6. RBTT was the most favoured stock in this review week accounting for 63% of total trades. Despite smaller traded volumes in this period traded, value amounted to TT\$60 million, an improvement of 25% over the prior period. Winners in terms of price appreciation gained no more than 2% in

value, these included NCBJ, GraceKennedy and WITCO. Stocks losing ground were JMMB (-8.7%), RBTT (-4.4%), and NFM (-2.2%).

The JSE index shed some value losing 1.7% to close at 85,106.09 points and seemed to be dragged by cross-listings given that the All Jamaica Index continued to shine after it gained 0.9%. Supreme Ventures was still the volume leader followed by Jamaica Broilers and Cable and Wireless Jamaica. In other news, Grace Kennedy announced the establishment of a new corporate structure geared for future growth and competitiveness with projected cost savings in the vicinity of J\$300 million in 2007.

The Bank of Nova Scotia (BNS) and Scotia Jamaica officially announced plans for a joint takeover bid to acquire between 75 to 80 per cent of the shares in Dehring Bunting & Golding Limited (DB&G). The offer is a cash bid and will be priced at J\$21.08 and TT\$2.00 for each share of DB&G acquired; the stock closed at J\$20.50 and TT\$1.85 on 25 October. The offer opened at 9:00 am on October 23 and is expected to close at 5:00 pm on November 27. BNS stated that upon acquisition of the shares, DB&G will continue to be a listed company on the Jamaican and Trinidadian Stock Exchanges and will retain its current team of executives.

The Barbados market continued its steady fall and is now down by 7.3% year to date. Of the three stocks advancing Almonc Resorts gained 8% in value while Sagicor and Cable and Wireless both inched up by 1%. On the other end, JMMB dropped 9% to close at B\$0.50.

## **ECSE**

Activity on the ECSE increased during the review period October 16- 20, 2006. Three companies recorded negligible trading of their stocks, namely St Kitts Nevis Anguilla Trading and Development Co. Ltd (TDC), Dominica Electricity Services (DES) and Eastern Caribbean Financial Holding Company (ECFH). Some 29 TDC shares and 25 DES shares traded firm at their previous market close prices of EC\$13.00 and EC\$4.00, respectively. ECFH saw 1500 shares traded, closing at \$9.75 down 2.5% from its previous market close of EC\$10.00. The ECSE share index declined slightly in response to the movement in the ECFH share price. The index closed at 118.40.

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## ***Current Happenings***

- \$25 billion in stock market losses
  - Republic After tax Profits down
  - Senator Eastmond calls for reduced food prices
  - Harsh business climate forced DB&G sale, says Bunting
  - Crime accounts for a 7% reduction of Jamaica's GDP every year – US Ambassador
  - Offshore banking to drive Dominican economy
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## ***Table 2: International Market Performance***

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Index	Closing Value	Weekly Change (%)	Monthly Change (%)	YTD Change (%)	1 Year Change (%)
S&P 500	1,377.38	0.98	3.85	8.56	15.11
Nasdaq Composite	2,344.84	0.00	4.26	4.51	11.16
Dow Jones Industrial	12,127.88	1.49	4.77	11.80	16.86
German Dax	6,247.52	2.17	5.86	14.41	28.21
FTSE 100	6,182.50	1.21	6.63	8.82	19.30
Nikkei 225	16,780.47	1.02	7.33	4.15	26.35

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