



Ford: Undergoes Third Restructuring in Five Years

Ongoing problems at US vehicle manufacturer, Ford Motor Company (Ford), have once again caused this global falling angel to become the subject of much investor speculation. Ford has two main lines of business - Automotive and Financial Services. The Automotive segment includes the design, development, sale and service of cars, trucks and service parts. Its Financial Services operations consist mainly of the Ford Motor Credit Company, a provider of vehicle-related financing, leasing and insurance.

Ford's profitability levels have continued to trend downward, reporting a loss of US\$0.03 per share for its second quarter ending August 2006 and an overall net loss of US\$1.44 billion for half year 2006. While the company's European operations are still in good shape, it is the North American operations, the largest auto unit, which continue to struggle. Declining sales volume particularly in the light truck segment has been a major contributing factor to this weak performance. With August sales coming in at 7.0 million units compared to 7.6 million units in July, sales are at their lowest since May and sharply below the long-run averages since 1998.

According to analysts, the issue at the heart of Ford's predicament is rising gasoline prices. Ford's product lineup has traditionally been dominated by the relatively more profitable SUVs, large pickups and light trucks. Unfortunately, demand for these types of vehicles is typically negatively correlated with gasoline prices. At the same time, Asian auto makers such as Toyota are benefiting from growing demand for their smaller, more fuel efficient vehicles. Other factors such as increased incentives by competitors and rising interest rates are also suppressing demand.

Ford is fervently working to alter its business model in order to return the North American operations to profitability. Bill Ford, who was appointed CEO in October 2001, has recently announced his resignation and the subsequent appointment of Alan Mullally formerly of Boeing.

Ford has also announced the acceleration of its restructuring plan which includes the intention to cut 30,000 jobs and close 14 plants in North America by 2012. During the previous restructuring in 2002, Bill Ford stepped in and fired the then chief executive, mended fences with dealers and employees, cut 35,000 jobs, sold non-core businesses, and launched a new line of vehicles that restored respect and profitability to an American business icon.

In July Ford announced its intention to cut fourth quarter production in North America by 21% in an effort to reduce inventory and clear dealer lots. The cuts will affect ten plants in the region. Ford has also put its profitable UK based Aston Martin Luxury car unit up for sales while the future of both its Jaguar and Land Rover lines remains undecided.

The company's former CEO, Bill Ford has announced a change in strategy namely a move away from the F-series pick up trucks to increasing the bottom line contribution of cars and crossovers. Crossovers are vehicles that blend the features of cars and trucks.

Sales and profitability projections are dismal, the impact of which is already been seen in the share price, which has been trending downward over the last couple of years. As at 8th September 2006, Ford's share price has been trading in a 52 week range of between US\$6.19- US\$10.13. The share is fairly valued at about US\$6.00 and is considered a speculative position by investors in the market.

Regional Market Review

Market activity gained momentum as traded volumes and market values tripled in this period with more than 900 thousand shares traded, costing investors more than TT\$15 million. The TTSE Composite contracted by 1.0% dragged by the fall in more cross-listings whereas the All Trinidad Index was down by half of one percent. Stocks leading the advances were NCBJ (3.1%), NFM (1.6%) and SBTT (.3%). Retreating stocks included JMMB (-7.3%), GK (-4.3%) and RBTT (-1.7%). NML gained favour with investors as 228,853 units changed hands in this period on news of two new acquisitions. These included PresTcon, a pre-fab concrete company and Insertech (Caribbean) Limited and Insertech Aruba N.V. The latter will now be known as NM Insertech Caribbean. Insertech's primary business is in Power Control Systems and Relief Valve supply and repair. Both companies are expected to contribute positively to the respective divisions as oil prices continue to escalate and local and regional construction demands continue to climb.

Demand for Dehring, Bunting and Golding also soared as rumour of Bank of Nova Scotia's intent on acquiring the finance house hit the market in Jamaica. This acquisition would help to boost the bank's investment banking business. News of B.W.I.A's numbered days and subsequent replacement with Caribbean Airlines has already stirred shareholder interest in the next step for the suspended stock. The company is due to disclose stock's fate in the coming weeks.

In Jamaica, market performance was flat as the JSE Index closed with 83,346.61 points on 12 September and the All Jamaica Index ended with 80,883.90 points. Supreme Ventures was ahead of the pack in terms of price appreciation (up 17.7%) and also recorded high trading activity after releasing better results as profits were more than seven times that of half year 2005. Dehring, Bunting and Golding also climbed 15.6% and H&L gained 14.5% to close at J\$13.81. In other news GraceKennedy in keeping with its thrust to improve efficiency and productivity announced the merger of several business units in the Food trading Sector. The companies will include, World Brands, Grace Food Processors, National Processors and Hi-Lo (Jamaica).

Table 1: Regional Market Performance

Index	Closing Value	Weekly Change (%)	Monthly Change (%)	YTD Change (%)	1 Year Change (%)
S&P 500	1313.11	0.99	3.66	3.49	5.85
Nasdaq	2215.82	2.21	7.68	-1.24	1.51
Dow Jones	11498.09	0.81	3.70	6.00	7.63

German Dax	5906.12	1.60	4.93	8.16	18.36
FTSE 100	5895.50	-0.57	1.30	3.77	9.68
Nikkei 225	15719.34	-3.47	0.99	-2.43	21.89

Current Happenings

- T&T signs investment deal with Germany
- Sagicor general rated “A” Excellent by AM Best
- PM Arthur: More can be advanced to allow for the creation of an integrated capital market
- GraceKennedy merges Food Trading operations
- Scotia set to acquire DB&G?
- Storm Gordon forms in the Atlantic

Table 2: International Market Performance

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International Market Review

The US stock market recorded its biggest gain in a month, pushing the Dow Jones Industrial Average just 225 points shy of its all time high. The rally came as oil prices plunged, raising optimism that lower energy prices will bolster consumer spending. The S&P 500 Index gained 1% during the period, while the NASDAQ advanced 2.2%. In the European markets, stocks dipped on a US Federal Reserve report which showed that growth is slowing in the world's largest economy, indicating European exporters will suffer. The FTSE 100 Index declined by 0.6%. Asian stocks also declined to a five-week low as prices of copper and oil tumbled amid concern that demand in China and US will cool. The decline was led by BHP Billiton and Nippon Mining Holdings Inc. The Nikkei 225 Index lost 3.5% for the week, while the Hang Seng declined by 1.1%.

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