



Pause and Effect in the U.S. market

After raising Interest rates for 17 consecutive meetings the Federal Reserve paused last month and held their hands again on 20 September, leaving interest rates at 5.25%. This was based on expectations for more sustainable inflation levels as housing prices “cool” and oil prices are tempered. In terms of the Equity Market, the pause in rates was as per market expectations. As such, the Fed’s decision was largely priced into the market. Investors focused mainly on intraday signals. Strong earnings and plummeting oil prices are the two major factors which prompted a broad based rally. U.S stocks climbed after this highly anticipated Fed judgment, the three main U.S equity benchmarks rallied at the close of the review period.

The housing market was in focus at the start of the week when the confidence of US builders fell for the eighth straight month. Economists had anticipated the index to fall to 31 from a revised 33 in August. The National Association of Home builders (NAHB) housing market index however, fell by three points (greater than forecasted) to its lowest level since February 1991. This weak housing data negatively impacted the home builders’ equity index. In terms of other sectors, Internet stocks suffered due to a sales warning from Yahoo. A slowdown in ad revenue from the company’s auto and financial features could hurt the company’s third-quarter results.

Increases in gasoline supplies and distillate supplies also contributed to the fall of in oil prices. Distillate supplies become increasingly important towards the winter season as they include heating oil stocks. The October crude contract fell \$1.20 or 2% to end on Wednesday at \$60.46 a barrel, its lowest level so far for this year. In addition, expectations of lower prices for diesel helped ‘fuel’ a rally in the airline sector with the expectation that this would improve the overall bottom line of the industry.

Energy and oil services stocks also fell as crude futures ended drastically lower. The benchmark October contract fell by \$2.14 or 3.4% to close at \$61.66 a barrel. Although BP announced that there would be delayed production at its Thunder Horse platform in the Gulf of Mexico until 2008, this was not sufficient to dampen investors’ concerns about a surplus in oil supplies. OPEC has indicated that it might call an emergency meeting ahead of its December summit to address supply issues.

The effect of the drop in crude prices was felt outside the energy sector as gold stocks erased all gains achieved in the prior period. The decline in crude prices eased inflation concerns thereby reducing the demand for the precious metal which is frequently used as hedge against inflation. This data coupled with traders’ concerns over weak jewelry demand in the first half of the year led the December contract to close \$9.60 lower at \$83.20 an ounce

The Technology sector gained 1.7% to earn top-spot amongst the eight sectors posting positive returns. The tech rally was led mainly by software giant Oracle Corp which beat analysts' expectations on Tuesday night by 'exceeding guidance on every metric.' Morgan Stanley closed at its best level in five years, thereby providing support for arguably the most influential sector of the S&P 500, namely Financials. Although rate increases are not yet entirely out of the hot seat it is now more dependent on whether upcoming economic data reflected a marked slowdown in inflationary patterns.

The NASDAQ composite broke a chain of seven consecutive gains as a result of a disappointing news release from Yahoo, but the severe decline in oil prices helped to buoy the market in recovering from the session lows. The Index shed 13.4 points, while the Dow Jones Industrial slipped 14.1 points and the S&P 500 ended 2.9 points lower.

Table 1: Regional Market Performance

Index	Closing Value	Weekly Change (%)	Monthly Change (%)	YTD Change (%)	1 Year Change (%)
TTSE Composite	871.38	-0.20	-1.72	-18.32	-18.78
All Trinidad	1,096.85	-0.43	-1.52	-17.06	-17.11
JSE Index	85,510.34	1.04	4.73	-17.58	-17.05
All Jamaica	85,526.44	2.45	10.08	-17.26	-14.86
JSE Select	2,325.83	1.95	8.66	-18.32	-14.11
BSE Composite	966.61	-0.05	-1.52	-6.60	-6.71

Current Happenings

- BWIA shuts down Washington route
- Neal and Massy extends grasp on energy
- RBTT Merchant Bank, Central America arm, closes US\$100 million deal
- Trading on the BSE falls by 59% in the first half
- Tobacco sales push Carreras stock to year-long high
- RBTT Jamaica seeking stock broking, unit trust licenses

Table 2: International Market Performance

Index	Closing Value	Weekly Change (%)	Monthly Change (%)	YTD Change (%)	1 Year Change (%)
S&P 500	1,318.31	0.02	1.23	3.90	7.09
Nasdaq Composite	2,222.37	-0.24	2.70	-0.95	3.59
Dow Jones Industrial	11,540.91	-0.02	1.40	6.39	9.31
German Dax	5,873.46	-0.55	0.97	7.56	19.23

FTSE 100	5,831.80	-1.03	-1.21	2.65	7.41
Nikkei 225	15,874.28	0.79	-1.44	-1.47	22.50

Regional Market Review

The Equity market slipped further after losing 1.72 points to close at 871.32. With price movement from only 12 stocks, it seem like activity on the TTSE is slowing to the BSE as 22 shares remained unchanged in the review period. The big winner in terms of price appreciation was the cross-listed Dehring Bunting and Golding. The stock gained favour both in Trinidad and Jamaica on news that the Bank of Nova Scotia in Jamaica was in discussions to acquire controlling interest in DB&G. The Jamaica Stock Exchange on Thursday suspended trading in the shares of both Bank of Nova Scotia Jamaica Limited and Dehring Bunting and Golding (DB&G). This was deemed necessary to allow the market as a whole to benefit from this information. DB&G gained 20.6% followed by TCL with 2.25%. Stocks losing traction included Prestige Holdings (8.2%), Plipdeco (4.2%) and Republic Bank (1.1%). Interest in Trinidad Cement Limited peaked as the stock moved more than 600,000 units and accounted for 51% of all trades as the price moved from a low of TT\$5.78 to TT\$5.92. Neal and Massy and Sagicor were also two of the more favoured stocks. Neal and Massy continues to be a favourite with local investors and recently released reports that Neal and Massy Wood Group expanded its reach into the local energy market. The company will be maintaining bpTT's plant and operating equipment for the next five years which is in the vicinity of US\$50 million per year.

Similar to the prior review period trading on the BSE was characterised by low market activity and traded volumes as the BSE Composite declined by 3.4 points and closed at 966.61 points while the Local Index shed .44 points to close at 3,832.52 points. Only three stocks moved, albeit in a southerly direction. Sagicor led trading activity and was responsible for 85% of all trades.

The market sustained a week of winnings in Jamaica as all three market gauges ended in positive territory and 23 out of 41 listed stocks rallied. At the end of the period it was Lascelles de Mercado and Carreras that kept the benchmarks afloat as they hit their 52 week high. Investors threw their support after Carreras which topped the list of advances appreciated 15.4%. Year to date tobacco sales have soared past levels in the prior year however the company is currently in an ongoing J\$5.7 billion tax assessment battle with the Commissioner of Stamp Duty and Transfer Tax. Mayberry Investments was also highly favoured and appreciated by 15% on news of Pan Caribbean's intention to acquire the company. Cable and Wireless led trading with 6.3 million units changing hands followed by Desnoes and Geddes and Supreme Ventures.

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