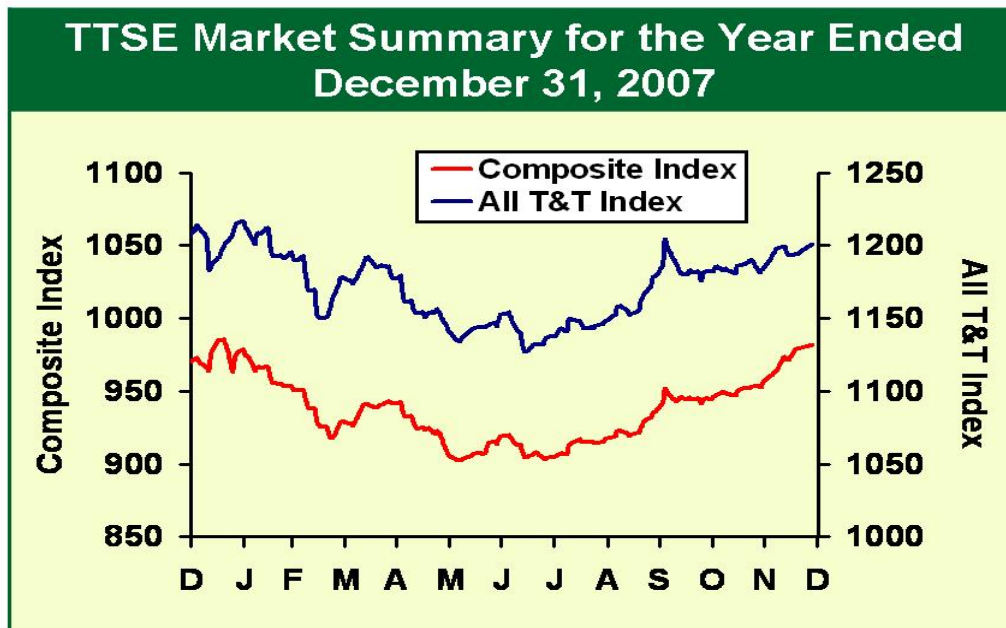


## 2007 Year End Review

### Local Market Review

In reflection, the Year 2007 was indeed eventful, coloured by general election fever, high levels of inflation and not to mention the ever so fashionable M&A hype. Suffice to say, the local market saw quite a bit of volatility with a downward trend for the first half of the year followed by a slow recovery which started in the month of July. In the end, the Composite Index closed 2007 at 982.0321 up 12.8652 points or 1.33 per cent on its open for the year, while the All T&T Index was down a marginal 0.42 per cent or 5.0387 points to end the period at 1200.6873. While the overall market returns were meagre, the WISE Top Picks (2007) once again outperformed the market with an average portfolio return (exclusive of dividends) of 6.12 per cent.

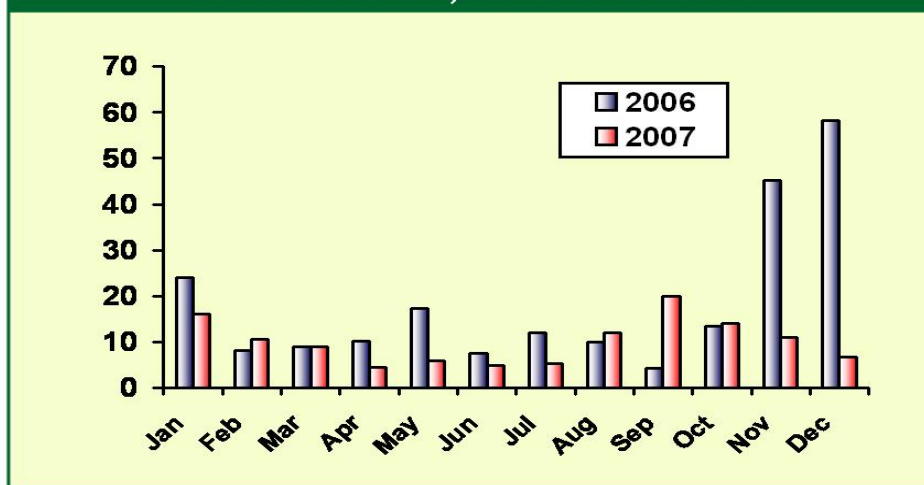
Market activity resulted in 119,312,166 shares traded which was down a significant 45.53 per cent on the previous year's volume of 219,037,251. Also, in comparison to 2005, this year's volume traded was down a similar 40.36 per cent. This may well be the result of low investor sentiment and decreased institutional activity. The year saw a total value of \$2,138,278,360 shares crossing the floor on the local exchange compared to a value of \$2,466,295,084 in 2006 (-13.30 per cent) and \$3,876,757,123 in 2005 (-44.84 per cent).



### Volume Leaders

This year's top three volume leaders each belonged to one of the three major Caribbean markets. Leading the pack was Jamaica's National Commercial Bank (Jamaica) Limited (NCBJ) with 19,767,078 shares crossing the floor representing 16.57 per cent of the market. While our very own local manufacturer, National Flour Mills Limited (NFM) came in as the second volume leader commanding 10.68 per cent of the market with a total volume of 12,743,347 shares crossing the floor. Followed by Barbadian based Sagikor Financial Corporation (SFC) which saw 10,226,190 shares traded or 8.57 per cent of all trades.

## Volumes Traded for the Year Ended December 31, 2006 and 2007



### Major Advances & Declines

The year saw 16 stocks advancing while 13 declined. The major advance went to the much fought after Barbados Shipping & Trading Company Limited (BS&T) which rose an outstanding 75.66 per cent or \$12.03 to close at \$27.93. Next was Readymix (West Indies) Limited (RML) which increased by a significant 66.11 per cent or \$2.79 to end the year at \$7.01. Followed by Ansa Merchant Bank Limited (AMBL) which gained 24.33 per cent or \$4.55 to end at \$23.25.

Capital & Credit Merchant Bank Limited (CCMB) led the declines for 2007, dropping 52.12 per cent or 86 cents to close at \$0.79. Followed closely by Jamaica Money Market Brokers Limited (JMMB) which fell by 51.35 per cent or 95 cents to end 2007 at \$0.90. NFM was the third major decline this year, after falling by a significant 44.38 per cent or 71 cents to \$0.89.

### Top 5 Advances for 2007

Rank	Company	Open	Close	Change
1	BST	\$15.90	\$27.93	75.66%
2	RML	\$4.22	\$7.01	66.11%
3	AMBL	\$18.70	\$23.25	24.33%
4	SFC	\$13.44	\$15.79	17.49%
5	PLD	\$6.93	\$8.00	15.44%

### Top 5 Declines for 2007

Rank	Company	Open	Close	Change
1	CCMB	\$1.65	\$0.79	-52.12%
2	JMMB	\$1.85	\$0.90	-51.35%
3	NFM	\$1.60	\$0.89	-44.38%
4	DBG	\$2.50	\$2.00	-20.00%
5	GHL	\$28.00	\$24.00	-14.29%

### Local Outlook for 2008

Indeed, as we begin 2008 many investors anxiously await the completion of a few outstanding M&A deals. While some of these deals will result in loss of market capitalization on the exchange, it also brings the opportunity for increased trading activity as portfolios will require rebalancing.

This increased trading activity is expected from both the individual and institutional level and as such with the "big guys" back on the floor we may see some positive investor sentiment in the market.

#### ***M&A Pipeline 2008***

- *Royal Bank of Canada (RBC) takeover offer for RBTT Financial Holdings Limited.*
- *Neal & Massy Holdings Limited (NML) takeover offer for Barbados Shipping & Trading Company Limited (BS&T).*
- *Sagicor Financial Corporation takeover offer for Barbados Farms Limited (BFL).*
- *Angostura Holdings Limited takeover offer for Lascelles de Mercado and Company Limited.*

In July 2007, the Insurance (Amendment) Bill, 2007 was passed which in effect increases the limitation of 50 per cent local equity up to 70 per cent of the accepted value of the assets of pension plans subject to certain specified criteria. While the intention was to stimulate positive activity in the domestic market, we did not see too much of this occurring in 2007 and as such these benefits may be realised in 2008.

In essence, excluding the above possibilities, there are no major changes anticipated for 2008 and as such we expect the market activity to be somewhat similar to that experienced in 2007.

#### ***Jamaican Market Review***

The Jamaican Market ended 2007 in mixed territory, with the JSE Market Index advancing 7,290.10 points or 6.75 per cent to close at 107,968.06; while the JSE Select Index fell by 13.90 points or 0.48 per cent to 2,928.97 and the JSE All Jamaican Composite declined by 430.57 points or 0.40 per cent to end the year at 106,782.86. Advances were outnumbered by declines by a ratio of 18 to 25.

Trading activity resulted in 2,254,131,586 shares changing hands valued at over JMD25,889,534,878. Mayberry Investments Limited (MIL) was the volume leader commanding 24.95 per cent of the market with 562,380,127 shares traded. The major advance went to Gleaner Company (GLNR) which rose an outstanding 116.08 per cent or JMD2.31 to close the year at JMD4.30. While the major decline went to Ciboney Group Limited (CBNY) which fell 85.71 per cent or JMD0.06 to close at JMD0.01.

#### ***Jamaica Economic Outlook 2008***

The International Monetary Fund (IMF) has projected that the Jamaican economy will grow at a rate of 2 per cent in 2008, with Inflation ending the year at 8.9 per cent. While the Jamaican Central Bank projects double digit inflation anywhere in the vicinity of 12 to 13 per cent.

Investors should also be mindful that the Jamaican economy is closely tied to the US economy and as such the anticipated slow down in the US will have a negative impact. Thus, the Jamaican government will have to put measures in place to compensate for such a situation.

#### ***US Market in Review***

The Year 2007 was no easy year for the US market. The subprime mortgage collapse which started in 2006 became a global financial crisis by July of 2007 and left many top investment banks with major write downs. However, the major US Indices still ended positive with the S&P 500 up 3.53 per cent to close at 1,468.36; the Dow ended at 13,264.82 up 6.43 per cent and the NASDAQ closed the year at 2,652.28 up 9.81 per cent.

The concern for 2008 is whether the market would be weighed down with excess inventory as the crisis effects continue and banks tighten lending policies.

#### ***Fixed Income 4<sup>th</sup> QTR Review and Outlook***

As at the latest report from the Central Bank (December 21st) the inflation rate measured 8.1 per cent. This rate was down 1.9 per cent from the start of the year and up by 0.2 per cent from the previous quarter. Food price inflation continued to have the largest influence on headline inflation over the last quarter of 2007, up a substantial 18.7 per cent on a year on year basis. This

increase was due mainly to viral diseases which affected the quality and supply of certain fruit and vegetables.

The Central Bank continued its initiative to decrease liquidity in Q4 but excessive demand in the consumer market leading up to the Christmas season reduced the effectiveness of the Bank's efforts as citizens utilized their credit facilities. Interest rates on these issues have generally remained flat over the last quarter moving only to 7.60 per cent on 6-month issues and 7.79 per cent on 1-year issues.

Finally, the much anticipated launch of the bond trading platform has been pushed into 2008 pending finalization of operating details and the conclusion of negotiations between the Central Bank and the Stock Exchange.

**Gia Singh**  
**Senior Research Analyst**  
**West Indies Stockbrokers Limited (WISE)**  
[gias@wisett.com](mailto:gias@wisett.com)