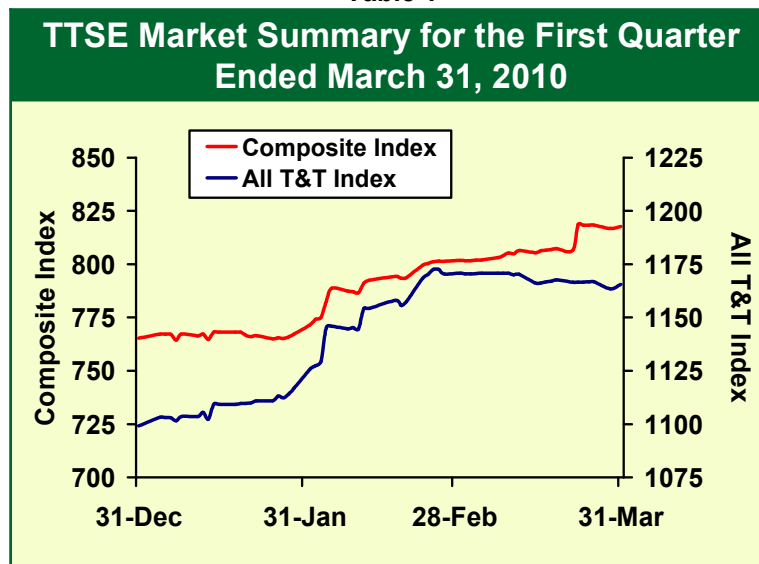


## First Quarter 2010 Review

### Local Market Summary

The First Quarter of 2010 (Q110) reflected a return of investor confidence to the local equity market with all three Indices ending in positive territory. The Composite Index rose 52.44 points or 6.85 per cent to close the three month period at 817.72, the All T&T Index advanced 66.32 points or 6.03 per cent to end at 1165.48 and the Cross Listed Index closed at 58.60, an improvement of 4.66 points or 8.64 per cent (see Table 1). For the same period in 2009, the Composite, All T&T and Cross Listed Indices were down 2.50 per cent, 2.85 per cent and 1.81 per cent respectively. In addition for the First Quarter, WISE's Top Picks for 2010 (see *article published in Vol. 10 No.1 2010 Contact Magazine issue, p.60-61*) outperformed the market with an average portfolio return (exclusive of dividends) of 21.75 per cent. In Q110, advances significantly outnumbered declines by a ratio of 15 to 6.

Table 1



Market activity on the First Tier Market of the Trinidad and Tobago Stock Exchange for Q110 amounted to 25,557,899 shares traded, up an outstanding 47.24 per cent or 8,200,222 shares when compared to the corresponding period in 2009. When compared to the previous quarter (Q409), volumes traded were also up a significant 34.40 per cent or 6,541,597 shares. However, the value of shares changing hands was down 37.39 per cent from \$381,688,242.83 (Q109) to \$238,962,555.88 (Q110). Q110 on Q409, the value of shares traded increased 8.31 per cent from \$220,637,616.06.

The volume leader for the period under review was National Commercial Bank Jamaica Limited (NCBJ) with 4,925,927 shares traded or 19.27 per cent of the market. National Enterprises Limited (NEL) followed with 3,959,049 shares or 15.49 per cent for the total volume traded. Next was Jamaica Money Market Brokers Limited (JMMB) which saw 3,551,065 shares change ownership or 13.89 per cent of all trades.

The major advance for Q110 was GraceKennedy Limited (GKC), which rose 50.00 per cent or \$1.50 to end the period at \$4.50. In Jamaica, this share closed Q110 at J\$66.00, up 62.96 per cent or J\$25.50. Following as the second major advance was National Flour Mills (NFM), rising 39.13 per cent or \$0.27 to \$0.96. West Indian Tobacco Company Limited (WCO) was next, advancing 23.49 per cent or \$7.61 to \$40.00. Additionally, four of the top five advances for Q110 were on WISE's Top Picks for 2010 (see Table 2).

**Table 2**

Top 5 Advances for Q110				
Rank	Company	Open	Close	Change
1	GKC	\$3.00	\$4.50	50.00%
2	NFM	\$0.69	\$0.96	39.13%
3	WCO	\$32.39	\$40.00	23.49%
4	NEL	\$8.25	\$10.11	22.55%
5	FCI	\$6.50	\$7.79	19.85%
Top 5 Declines for Q110				
Rank	Company	Open	Close	Change
1	SFC	\$11.75	\$10.10	-14.04%
2	SVL	\$0.20	\$0.18	-10.00%
3	JMMB	\$0.32	\$0.29	-9.38%
4	TCL	\$3.85	\$3.51	-8.83%
5	GHL	\$14.11	\$13.10	-7.16%

For Q110, declines were led by Sagicor Financial Corporation (SFC), which fell 14.04 per cent or \$1.65 to close at \$10.10. Supreme Ventures Limited (SVL) was the second major decline, down 10.00 per cent or \$0.02 to \$0.18. In Jamaica, this share closed Q110 at J\$2.70, up 35.00 per cent or J\$0.70. The third major decline was JMMB, which dropped 9.38 per cent or \$0.03 to \$0.29. This share closed at J\$4.00 in Jamaica, the same as its opening price.

### Fixed Income Market Summary

The Central Bank of Trinidad and Tobago (CBTT) announced on April 23, 2010 that Headline Inflation as measured by the Index of Retail Prices, climbed to 5.10 per cent year on year in March 2010, from 4.80 per cent in February. Food prices continued to have the largest influence on headline inflation increasing to 6.90 per cent in March from 6.30 per cent in the previous month. This increase was due mainly to a 60.80 per cent increase in the prices of fruits (from 40.70 per cent in February) as a result of the severe drought. Core inflation (which excludes food prices) remained relatively unchanged at 4.10 per cent in March.

As noted in previous announcements by the Central Bank, high levels of excess liquidity in the financial system have been driving short term interest rates down. The three month and six month treasury bill rates declined to 1.28 per cent and 1.44 respectively in March from 1.85 per cent and 2.56 per cent in September 2009. Some of this excess liquidity was absorbed from the financial system by two recent bond issues; a \$500 million, 6.25 per cent, 18-year National Insurance Property Development Company Limited (NIPDEC) bond which was issued on March 19, 2010 and a \$794 million, 5.95 per cent, 13-year bond on April 20, 2010. Both of these issues were oversubscribed.



The Central Bank has maintained the Repo Rate, the rate at which it lends to commercial banks, at 5.00 per cent.

### **Local Outlook**

Recent reports by the International Monetary Fund (IMF) indicate that global recovery is occurring faster than expected. However, at home economic growth is expected to be slow in part because the country is in the throes of a general election. With an election, comes an environment of uncertainty as would be investors and businesses adopt a wait and see attitude on the outcome of the election and which political party and resulting policies would come into effect.

In addition, we have seen a dip in energy prices from the beginning of the year which could further weaken fiscal performance and foreign exchange earnings. Given these conditions, companies in all sectors will continue to experience some difficulties to increase revenues and profits in the remaining year. So while increased trading activity in the First Quarter would indicate a renewed interest in the local stock market, given the current economic conditions and political uncertainty, investors should remain cautious and select companies with sound fundamentals and long-term value.

### **Jamaica Market Summary**

The equity market in Jamaica had a rough start in 2010 as uncertainty surrounded two major economic issues; a US\$1.27 billion standby lending facility with the International Monetary Fund (IMF) and the implementation of the Jamaica Debt Exchange (JDX) Programme. The Jamaican market has since recovered with the major benchmark, the JSE Market Index, gaining 2,688.64 points or 3.13 per cent to close the First Quarter at 86,010.60.

For the quarter, the JSE Select Index and JSE All Jamaican Composite also saw advances. The JSE Select Index inched up 352.45 points or 15.68 per cent to 2,248.50 and the JSE All Jamaican Composite climbed 11,391.69 points or 13.83 per cent to 82,387.46. The JSE Cross Listed Index however declined 104.77 points or 12.21 per cent to 858.15. The bullish sentiment was also seen in the advance to decline ratio, which ended the quarter in a ratio of 30 to 15.

Trading activity for Q110 resulted in 1,782,126,199 shares crossing the floor of the Jamaican Stock Exchange. The value of shares traded amounted to J\$5,851,548,393.53. Supreme Ventures Limited (SVL) was the volume leader commanding 78.45 per cent of the market with 1,398,103,818 shares traded. Kingston Wharves Limited (KW) was next in line with 132,936,328 shares changing hands or 7.46 per cent of all trades. National Commercial Bank Jamaica Limited (NCBJ) was the third volume leader with 33,694,279 shares changing ownership or 1.89 per cent of the total volume traded.

The major advance for the period under review was Berger Paints Limited (BRG), up 123.33 per cent or J\$1.48 to close at J\$2.68. This was followed by GraceKennedy Limited (GK), which advanced 62.96 per cent or J\$25.50 to J\$66.00. Next was Radio Jamaica Limited (RJR) which saw a 56.72 per cent increase or J\$1.14 to J\$3.15.

Leading the declines for Q110 was Ciboney Group Limited (CBNY), down 50.00 per cent or J\$0.05 to end the quarter at J\$0.05. Guardian Holdings Limited (GHL) was next, dropping 41.57 per cent or J\$124.50 to J\$175.00. Salada Foods Limited (SALF) followed as the third major decline, falling 25.81 per cent or J\$4.00 to close at J\$11.50.



### **Jamaica Debt Exchange**

In summary, the Jamaica Debt Exchange (JDX) Programme replaced 350 Government of Jamaica bonds held by financial institutions and retail investors, with 24 new notes at lower rates and longer tenors.

The 350 bonds paid interest rates above 20 per cent, reaching as high as 28.25 per cent. The 24 new issues comprise of ten fixed rate Jamaican dollar bonds with coupons ranging from 11 per cent to 13.25 per cent, nine variable rate bonds priced at the weighted average Treasury bill yield, three United States dollar bonds priced at 6.75 per cent to 7.25 per cent and two inflation-linked securities with coupons of 2.00 per cent to 4.25 per cent. The maturity dates for the 24 issues range from 5 months to 30 years.

It is anticipated that the debt swap will yield the Jamaican government savings of J\$40 billion on interest payments over the next fiscal year.

The exchange, which is limited to domestic debt obligations, is worth approximately J\$722 billion and excludes Treasuries and commercial loans. This domestic portion accounts for more than 50 per cent of Jamaica's total debt which stands at approximately J\$1.33 trillion.

The success of the JDX was largely contingent on the support of the financial institutions, which hold roughly 63 per cent or J\$454 billion of the domestic debt. The effect of the debt exchange on the profitability of these financial institutions would be revealed in the near future as the interest income they earn from these government securities would have an impact on revenues.

*(Statistics provided were based on share price and indices data available as at March 31, 2010)*



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