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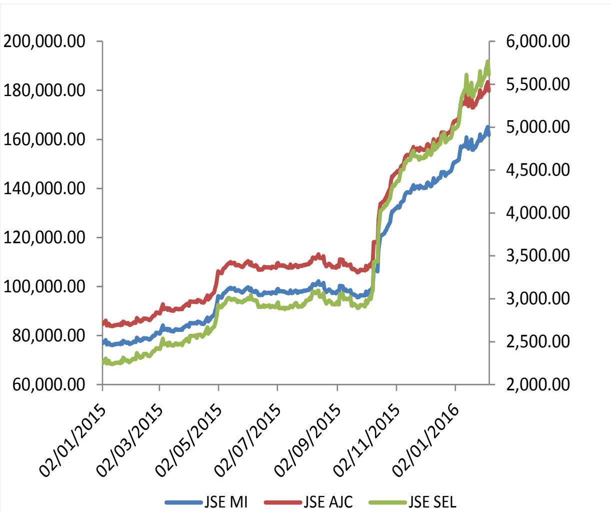
Jamaican Stock Market



Weekly Movement in Indices

Indices	Closing Levels	Change
JSE Combined Index	170,332.98	+2,180.43
JSE Market Index	159,770.09	+673.18
All Jamaican Composite	177,513.15	+752.85
Jamaica Select Index	5,575.65	+92.51
JSE Cross Listed Index	499.06	-

Most Active Stocks

	Units Traded	%
JMMB 7.50%	2,910,125	14.93%
CWJ	2,492,847	12.79%
PJAM	1,284,032	6.59%

Top Winners & Losers This Week

	$ Change	% Change
Winner: KREMI	+$1.54	30.80%
Winner: LASD	+1.60	29.09%
Loser: 1834	-$0.13	11.40%
Loser: KEX	-$1.76	10.48%

Market Analysis & Commentary

Kremi Continues its Push to Become the Top Ice Cream Company in Jamaica

Caribbean Cream Limited (KREMI) published its first quarter financial results last week showing strong growth in revenue and profits. During the three months ended May 31, 2016, KREMI reported an 81% growth in net profit attributable to shareholders which amounted to $71.17Mn (EPS: $0.19) compared to $39.22Mn (EPS: $0.10) a year prior.

The company reported revenue growth of 9% to a total of $315.26Mn. This growth was due to continued expansion of market segments in the wholesale, retail and convenience sectors, retention and expansion of their consumer base which resulted in increased market share.

KREMI's gross profit climbed by 24% to $137.78Mn due to a combination of increased sales and reduced cost as the company continues to benefit from lower prices on its main raw materials. This translated to a gross profit margin of 43.7% compared to 38.3% in 2015. On the expenditure side, administrative, selling and distribution costs amounted to $65.18Mn, a 3.1% decline over last year's expenses. This, the company attributed to lower than anticipated safety costs and lower than expected promotional expenses. Finance costs were 34% less than in the corresponding period of 2015 and amounted to $3Mn.

Remittances Maintain Positive Momentum But Growth Pace Slows

Steady job and wage growth in the US and the UK supported an increase in remittances. During the month of March 2016, net remittances were US$177.0Mn, a 1.5% increase relative to March 2015. The 1.5% year-on-year increase lags the growth of 5.0% and 3.5% registered in March 2014 and March 2015, respectively.

The reason for the slowdown in pace is that growth from remittance inflows during the month was also only 1.5%. Gross remittance inflows for the month were US$196.9Mn and was able to offset the US$0.2Mn (+1.1%) increase in remittance outflows. Inflows were above the average of US$185.4Mn for the last five Marches and are the highest recorded for a March outturn.

Year-to-date performance was also decent. Net remittances for the January – March 2016 period amounted to US$537.3Mn, which represented a 1.1% increase relative to the same period last year. Total remittance inflows amounting to US$537.3Mn, an increase of 1.5% and like the monthly outturn it lagged growth rate for the same year-to-date period in 2014 and 2015. Though inflows trailed the previous periods, the outturn is still above the five year average of US$504.0Mn and helped to reduce the impact of a 7.0% increase in outflows.

Confident consumers, a stabilizing factory sector and buoyant housing market appear to have put the wind back in the US economy's sail as it entered the second half of the year. Reports signal that there have been healthy gains in retail sales and a pickup in industrial production has been supporting an expansion in the jobs market as well. This augurs well for immigrant workers who tend to be employed in the retail, agriculture and manufacturing sectors. Over in the UK – which accounts for roughly 15% of total inflows – though second quarter results (March – June 2016) appear positive, the implications of Brexit and possible recession will likely weigh on inflows going forward.

Additional Taxes and Higher Energy Costs Cause an Uptick in Inflation

Higher utility costs and the introduction of additional taxes on energy sources resulted in an increase in inflation rates for the month of June. The All Jamaica 'All Divisions' Consumer Price Index for June 2016 increased by 0.9% compared to a month earlier. The division with the highest movement was 'Housing, Water, Electricity, Gas and Other Fuels' which went up by 4.0%. Higher energy costs on the international market, the Special Consumption Tax (SCT) imposed on Heavy Fuel Oil, the continued depreciation of the Jamaican dollar along with the increase in electricity rates led to 7.9% increase in the 'Electricity, Gas and Other Fuels' subdivision. Meanwhile, an additional $7.00 SCT per litre on petrol and higher airfare prices due to an increase in departure tax resulted in the 'Transport' division moving up by 2.1%. The impact of additional taxes was also extended to the 'Alcoholic Beverages and Tobacco' division which went up by 0.9%, due to the $2.00 SCT charged on cigarettes. Favourable weather conditions have slowed the pace of increase in the heavyweight 'Food and Non-Alcoholic Beverages' sub-division. The movement in the index for June 2016 resulted in a calendar year-to-date inflation of negative 0.6% while the point-to-point movement was 2.5% and a fiscal year-to-date rate increase of 0.7%.

The Bank of Jamaica will likely maintain its accommodative monetary policy while inflation remains subdued, in an attempt to bolster economic growth in the coming months. The Bank's inflation target for FY2016/17 has been lowered to 4.5% to 6.5%. This target assumes that international commodity prices will gradually increase and that there will be continued improvements in domestic demand. However, given the recent pace of increase in commodity prices over the last few months, increased inflationary impulses could prompt the bank to normalize monetary policy actions as we head into 2017.

Foreign Exchange Market

Selling	Close: 08/07/16	Close: 15/07/16	Change
J$/US$1	$126.37	$126.39	+0.02
J$/CDN$1	$97.35	$97.92	+0.57
J$/GBP£1	$163.27	$168.51	+5.24

Increased USD liquidity helped to slow the pace of depreciation during the last trading week. Consequently, there was only $0.02 week over week depreciation in the dollar. The exchange rate closed at J$126.39/US$1.00 on Friday. This brings the year-to-date depreciation to 4.7% relative to 2.2% over the same period last year.

JMD Money Market

JMD market liquidity levels remained constrained week over week but could improve slightly in the upcoming week. Interest payments are expected next week on BOJ 5.80% 2017s and BOJ VR 2017s. Open market operations maturities for the upcoming week will amount to approximately J$3.5Bn.

GOJ Global Bonds

Jaman global bonds continued their upward price trajectory last week as inflows into emerging market debt continued unabated. The biggest beneficiaries of these inflows were the bonds which were at at the longer end of the curve. Meanwhile, demand for the shorter end of the curve, specifically the 17s and 19s, was fairly limited however at the end of the week 19s traded at 108.

Indicative Bond Prices

	Bid	Offer	Offer Yield*
2017	106.750	108.000	1.83%
2019	107.500	108.500	4.85%
2021	110.000	112.000	5.84%
2022	128.000	130.000	5.26%
2025 (N)	115.000	116.000	5.36%
2025	123.500	124.750	5.76%
2028	109.500	110.500	5.52%
2036	119.000	120.250	6.66%
2039	112.000	113.500	6.82%
2045	110.500	107.000	6.95%

*NB: The rates quoted above are opening indicative levels on the international market and are subject to change as market conditions vary throughout the trading session. Additionally, the prices quoted to clients of NCB Capital Market Limited (NCBCML) are adjusted to reflect the costs associated with completing the transaction on the respective client's behalf.

International News

There are concerns that Ireland may be the most affected by the Brexit fallout. The prime minister is under pressure, economists are slashing growth forecasts and companies are warning of Brexit's dire consequences. The intertwining of trade and finance means no other country is feeling the fallout from the U.K.'s vote to leave the European Union more than Ireland. Exporters have warned the plummeting pound will erode earnings and economic growth, just as a recovery had taken hold after the 2010 international bailout that followed the banking meltdown. Irish shares have declined, not least because the U.K. is the top destination for the country's exports after the U.S. and the biggest for its services.

Meanwhile, European Central Bank maintained its accommodative stance in order to stimulate economic activity. The European Central Bank published its corporate-bond holdings for the first time, showing that it has bought debt issued by more than 150 companies under a five-week-old stimulus program. Issuers included foodmaker Danone SA, miner Glencore Plc and insurer Mapfre SA, according to data on the ECB's website. The ECB has bought about 10.4 billion euros of company bonds since the program began on June 8 as part of widening efforts to revive economic growth in Europe.

(Bloomberg) China Growth Steadies on Consumer, Dimming Stimulus Expectations

China's growth stabilized as lending and consumer spending picked up, suggesting the economy is responding to stepped up policy support. Gross domestic product rose 6.7 percent in the second quarter from a year earlier, compared with 6.6 percent seen by economists Bloomberg surveyed and in line with the government's growth target of at least 6.5 percent for the full year. Industrial output and retail data for June beat estimates, investment slowed, and a report from the central bank showed the broadest measure of new credit beat all 29 analyst forecasts.

A credit surge and housing recovery this year have propped up growth, while raising questions about the sustainability of the debt-fueled expansion. Friday's data blast suggests the People's Bank of China doesn't need to boost support for the world's second-largest economy after holding the benchmark interest rate at a record low since October and cutting the required-reserve ratio for big banks in February.

Bloomberg's monthly GDP tracker increased for a second month, indicating a 7.13 percent pace of expansion in June. Nomura Holdings Inc. raised its full-year growth estimate to 6.5 percent from 6 percent, citing the stronger-than-expected second quarter. Chief China economist Zhao Yang also reduced his forecast for the number of reserve-ratio cuts this year to two from three while maintaining his estimate the PBOC will lower the main rate by 25 basis points.

The Shanghai Composite Index closed near a three-month high and posted a third straight weekly advance. The yuan advanced.

Consumption contributed 73.4 percent to economic growth in the first half, up from about 60 percent a year earlier, the statistics authority said.

(Bloomberg) Bank of England Signals August Stimulus as Rate Kept at 0.5%

The Bank of England left its key interest rate at a record low and signaled it's readying stimulus for August as the economy reels from Britain's decision to quit the European Union.

The nine-member Monetary Policy Committee, led by Governor Mark Carney, voted 8-1 to keep the benchmark at 0.5 percent, with only Gertjan Vlieghe saying the outlook justified an immediate reduction. The pound surged as the decision surprised investors, who had priced in more than an 80 percent chance the rate would be lowered. While policy makers discussed what measures could help the economy, they stopped short of detailing what those might be.

The central bank is due to publish its quarterly Inflation Report on Aug. 4, which will include new forecasts for growth and inflation and the MPC's first full take on how the referendum outcome is set to affect the U.K. Initial reports suggested economic activity was likely to weaken in the near-term, the minutes said.

With Britain preparing to navigate a split from its biggest trading partner and Carney saying easing was likely to be needed over the summer, 31 of 54 economists in a Bloomberg survey had predicted pre-emptive action. The governor has taken a proactive approach since the referendum, offering additional liquidity operations and relaxing bank rules to encourage lending.

The pound strengthened as much as 2.5 percent against the dollar before paring gains. It was trading at $1.3324 as of 1:59 p.m. London time. While that's up 1.4 percent from Wednesday, it's still down more than 10 percent since the referendum.

(Reuters) Economic growth in Peru firmed to potential pace in May

Peru's annual growth rate quickened to 4 percent in May for the first time since 2014, reaching its potential pace thanks to a copper mining surge that has offset relatively weak domestic demand, the government said Friday.

The economy expanded by 4.88 percent in May from the same month a year ago, the third-fastest monthly pace in more than two years as mining activity jumped 36.7 percent year-on-year, according to data from statistics agency Inei.

The finance ministry said that growth would continue to accelerate in coming months, forecasting a recovery in private investments and a boost from the first anchovy fishing season, which started this month after months of delays.

Soaring output from new copper mines, especially MMG Ltd's $7.4 billion Las Bambas deposit, has revived growth in Peru that slowed sharply in 2014 on a drop in mineral prices and public and private investments.

But manufacturing has continued to contract this year, and sectors not driven by exports, such as retail, construction, agriculture and restaurants and hotels, grew by less than 3 percent year-on-year in the first five months of the year.

In a sign that recovering growth has yet to translate into broad gains, the unemployment rate from April to June crept up to 7.0 percent from 6.8 percent in the same period in 2015.

Still, the government of President Ollanta Humala touted the latest growth data as a sign that its efforts to revive growth through increased government spending and lowered tax rates were delivering results ahead of the July 28 transfer of power to President-elect Pedro Pablo Kuczynski.

"The current administration is leaving the economy at a cruising speed," Finance Minister Alonso Segura said in a statement, noting stronger construction activity in recent months.

The government and central bank both view the annual potential growth rate, the pace at which the economy can expand without stoking inflation, at about 4 percent.

Kuczynski aims to raise that pace to at least 5 percent through infrastructure projects and lower taxes to stimulate investments, though some of his proposed reforms will require the approval of the opposition-controlled Congress.

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