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NCB CAPITAL MARKETS LIMITED

Weekly Market GUIDE

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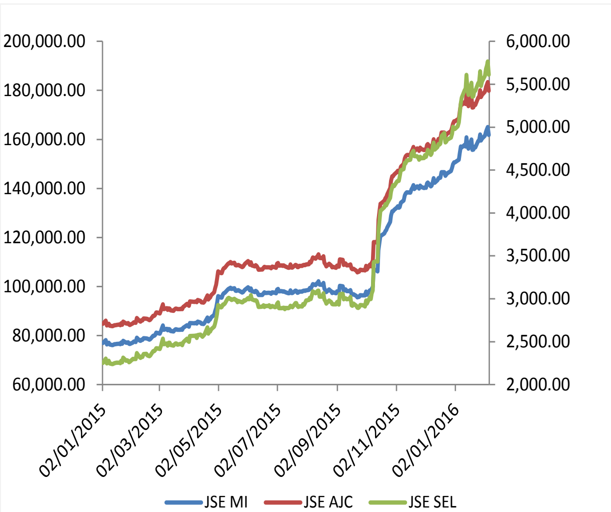
August 15, 2016

Jamaican Stock Market



Weekly Movement in Indices

Indices	Closing Levels	Change
JSE Combined Index	171,437.37	+241.72
JSE Market Index	160,085.33	-47.45
All Jamaican Composite	177,865.70	-53.06
Jamaica Select Index	5,539.16	+9.02
JSE Cross Listed Index	499.06	-

Most Active Stocks

	Units Traded	%
CWJA	3,489,351	43.21%
GK	1,444,035	17.88%
JMMBGL 7.50%	780,000	9.66%

Top Winners & Losers This Week

	$ Change	% Change
Winner: PROVEN	+$0.049	32.19%
Winner: BIL	+$0.40	15.38%
Loser: CFF	-$0.48	6.86%
Loser: CWJA	-$0.08	6.15%

Market Analysis & Commentary

GOJ Re-Tapped 2039s

Last week, The Government of Jamaica (GOJ) raised US$743.24Mn by re-tapping its 8.00% 2039 bond. The proceeds from the bond issue were used to pay for the tender offer of the 10.625% 2017s and 8.00% 2019s with a tender price of 108.0 and 110.5, respectively. GOJ repurchased 317.8Mn of the 425Mn original face value of the 2017s, and 467.4Mn of the 750Mn face value of the 2019s.

The GOJ is capitalizing on the opportunity to get the best possible terms on a new issue given the low interest rate environment, without breaching its debt covenant ceiling under the current IMF agreement. The GOJ is effectively refinancing a portion of its total debt ahead of a pending rate hike by the US Federal Reserve and the expiration of the IMF's Extended Fund Facility with Jamaica in March 2017. The new issue will provide an opportunity for the government to improve its fiscal and debt metrics by extending the maturity of its debt at lower rates.

Jamaica's Fiscal Balance Continues to Improve

Central Government's fiscal deficit outperformed its target during the April to June 2016 period. The improvement relative to budget was largely due to higher outturn from all major revenue lines with the exception of capital revenue. The fiscal stance was further improved thanks to the lower than expected expenditure over the period.

Tax Revenues benefitted well from growth in key contributors. Income and profit revenues were 7.2% above target at $29.93Bn. This was mainly due to more taxes paid over by businesses that fall in the "Other Companies" category coupled with higher than expected outturn from PAYE. Meanwhile, total tax revenues from the Production and Consumption sub category amounted to $37.78Bn which was 11.1% above expectations. This was helped by General Consumption Tax receipts on local goods being 13.6% above target. Despite the lower-than-anticipated taxes on all other income lines, higher than budgeted GCT on Imports propelled a 5.4% outperformance in International Trade. Consequently, total Tax Revenues which amounted to $108.31Bn were 7.8% greater than the targeted amount for the 3 month period.

Fiscal discipline remains evident. Total expenditure was below its target of $133.51Bn and actually ended the period at $122.67Bn. This primarily reflected a cut in expenditure on programmes and lower interest payments made on debt, particularly domestic debt. These factors coupled with capital expenditure coming in 27.5% below target supported the overall shrinkage. As such the fiscal deficit stood at $7.54Bn, compared to a budgeted $26.78Bn. Of note, the 2016 fiscal deficit has narrowed from the $9.87Bn outturn in the April to June 2015 period.

Grace 'Living the Dream'; Net profit up 90.1%

During the six months ended June 30, 2016, GraceKennedy Limited (GK) reported a 90.1% growth in net profit attributable to shareholders which amounted to $2.70Bn (EPS: $7.45).

The company reported revenue growth of 12.3% or $4.85Mn to $44.12Bn (2015: $39.27 billion). According to management, this growth was due to strong performance in the company's food trading segment which grew by 11.8% or $3.66Bn to $30.96Bn.

During the six month period, operating expenses grew by 10.6% to a total of $42.14Bn due to increases in staff costs, other expenses and advertising and marketing costs. GK's operating profit climbed by 87.7% to $3.52Bn as the company focused on margin management and the implementation of cost savings initiatives. This translated to an operating profit margin of 7.97% compared to 4.77% in 2015. GK's net profit margin grew to 5.57% from 3.29% in 2015. During the half-year, GL launched its "Live the Dream" campaign to re-energize the Grace brand and engage its loyal customers.

On the balance sheet side, as at June 30, 2016, total assets grew by 15.2% to $119.73Bn (2015: $103.97Bn). This was primarily due to growth in pledged assets by $3.60Bn or 52.9% to $10.41Bn and loans receivable which increased by 23.9% to $24.03Bn. Shareholders' equity also grew by 9.2% or $3.42Bn to $40.77Bn due to a 10.5% growth in retained earnings.

Access' Loan Portfolio Growth Fuels Momentum

During the quarter ended June 30, 2016, Access Financial Services Limited (AFS) reported a 29.5% growth in net profit attributable to shareholders which amounted to $145.64Mn (EPS: $0.53).

The company reported total income growth of 7.9% or $23.88Mn to $325.42Mn. According to management, this increase was driven by growth in net interest income by 7.8% or $20.32Mn following a 31% increase in AFS' loan portfolio to $2.29Bn. AFS has noted that this growth resulted from its focus on improving offerings to the business sector with specific emphasis on the small and medium sized entities (SMEs).

AFS's total operating expenses declined by 5.7% or $9.79Mn to $162.21Mn due to reductions in marketing, depreciation and allowances for credit losses. According to AFS, allowance for credit losses fell by 19.5% or $10.47Mn to $43.31Mn due to improved collections efforts. This translated to an operating profit margin of 50.2% compared to 42.6% in 2015. There was also an increase in overall efficiency as captured by AFS's net profit margin which grew to 44.8% from 37.3% in 2015.

On the balance sheet side, as at June 30, 2016, total assets grew by 37.8% to $2.70Bn (2015: $1.96Bn). This was primarily due to growth in loans and advances by 30.6% or $535.95Mn. Shareholders' equity also grew by 34.0% or $334.61Mn to $1.32Bn due to a 39.5% increase in retained earnings. This resulted in a book value per share of $4.80 compared to $3.58 in 2015. At a current price of $17.50, this translates to a price to book value of 3.64X. Based on a trailing twelve month EPS of $2.30, AFS's price to earnings ratio is 7.55X.

Foreign Exchange Market

There was a strong uptick in USD demand in the latter half of last week, following low levels of demand for the past two weeks. The dollar opened at $126.64, but closed on Friday at a weighted average selling rate of $126.93, signalling a $0.29 depreciation.

Selling	Close: 05/08/16	Close: 12/08/16	Change
J$/US$1	$126.64	$126.93	+$0.29
J$/CDN$1	$95.74	$97.05	+$1.31
J$/GBP£1	$165.58	$163.79	-$1.79

JMD Money Market

The 28 days GOJ Treasury Bill auction held last Wednesday resulted in an average yield of 5.95% relative to 5.73% the previous month. Of the J$400M offered, only J$246.4M was applied for and allocated which would have contributed to the 22 bps increase in average yield. The 91, 182 and 273 days auctions will be held on August 17th.

JMD market liquidity levels remained constrained week over week. Brokers continue to aggressively seek longer tenured funding. Interest payments for the GOJ 8.50% 2019's as well as OMO maturities of approximately J$4Bn should aid liquidity levels.

GOJ Global Bonds

Jaman global bond activity was very robust last week with the tender offer for the 17s and 19s and the re-tap of the 39s being the dominant storyline. The 39s were re-tapped at 114.05 but quickly traded up to 116, suggesting continued strong confidence in the Sovereign. There were trades on the 2025N at 116 and 2028s at 113.30.

Indicative Bond Prices

	Bid	Offer	Offer Yield*
2017	106.750	107.750	1.33%
2019	109.000	110.000	2.42%
2021	109.250	111.250	4.05%
2022	128.750	130.250	5.15%
2025 (N)	116.000	117.250	4.95%
2025	125.750	127.000	5.46%
2028	112.500	113.500	5.09%
2036	121.000	122.250	6.48%
2039	115.500	116.250	6.58%
2045	113.250	114.750	6.71%

*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

Markets rallied last week, buoyed by optimism that central banks worldwide will continue to support growth as the Fed holds off on raising interest.

Weaker-than-expected retail sales data in the US added to speculation the Fed will be in no rush to raise interest rates this year. The US Commerce Department on Friday said purchases totaled $457.7Bn in July, little changed from the $457.9Bn in June; excluding cars, retail sales retreated 0.3% in July, the most since the start of the year. According to Bloomberg the probability that the Fed will hike rates by the end of 2016 fell to 42.3% from 46.7% a week prior.

The S&P 500 index was up 0.1% to close at 2,184.05 points. Treasuries also rallied with the yields on the 10-year and 2-year bonds declining by 7bps and 2 bps respectively to 1.51% and 0.71% respectively.

There was also increased demand for emerging market bonds during the week as evidenced by continued upward trend in Bloomberg's Emerging Market Bond Index (EMBI). The EMBI increased by 1.04% to 159.502 points up from 157.864 points during the prior week.

China's Stability Falters as Factory Output, Credit Growth Slow

China's recent economic stabilization faltered in July as factory output, retail sales and investment all slowed, while the broadest measure of new credit rose the least in two years.

Policy makers face a choice: boost demand with cheap credit that risks undermining financial stability, or curb debt expansion even if that slows the economy. Friday's data suggests the second option is being pursued for now. With tepid global demand and domestic businesses reluctant to invest, the government has increased fiscal support this year, even as it held off from further benchmark interest-rate reductions.

The yield on China's benchmark 10-year government bond dropped to 2.665 percent, the lowest since 2006, after the People's Bank of China released the money supply data.
Underscoring the economy's dependence on a property market recovery, long-term loans to households -- the majority of which are mortgages -- increased more than the total new bank loans in July for the first time since 2007.
Property development investment in the first seven months

of the year rose 5.3 percent, while the value of property sales during the period soared 39.8 percent, the National Bureau of Statistics said. Home sales value rose 41.2 percent while new property construction increased 13.7 percent.

The PBOC has held the main interest rate at a record low since October. Policy makers reiterated in a statement last week that they plan to pursue prudent monetary policy. This week, the central bank offered more signals about its evolving monetary policy stance, flagging continued use of liquidity tools rather than further cuts to interest rates.

Other data released Friday showed electricity output jumped 7.2 percent in July, the fastest pace since late 2013, as more people switched on their air conditioning units for a reprieve from broiling summer heat. By industry, textiles and steel output remain sluggish, while car manufacturing was the outperformer with a 22.9 percent increase from a year earlier, the production data showed.

Reflecting the sluggish economic outlook, private businesses remain reluctant to invest, with state firms stepping in to prop up overall investment spending. Reports earlier this week showed exports remained sluggish last month, signaling tepid global demand, while deteriorating imports raise concern domestic conditions may be weakening. Meantime, inflation remains well below the government's target, giving room for additional stimulus.

Consumer Sentiment in U.S. Increases by Less Than Forecast

Consumer confidence in the U.S. rose less than forecast in August, reflecting a pullback in views on personal finances among younger Americans.

The University of Michigan's preliminary index of sentiment climbed to 90.4 from a three-month low of 90 in July, according to a report Friday. The median projection in a Bloomberg survey called for a reading of 91.5, with estimates ranging from 89 to 93.1.

Payrolls have shown strong gains for two months and wage increases are slowly accelerating, giving consumers more confidence and power to spend. At the same time, uncertainty over the outcome of the presidential election could hold back the household demand that's supported economic growth this year amid weak investment by companies.

A report from the Commerce Department earlier on Friday showed that sales at U.S. retailers were little changed in July, missing forecasts for an increase, as Americans flocked to auto dealers at the expense of other merchants.

German Economy Slows Less Than Forecast as Italian Growth Stalls

German growth slowed less than predicted in the second quarter while Italian output unexpectedly stagnated, signaling diverging fortunes for two of the region's biggest economies as they brace for any fallout from Britain's decision to leave the European Union.

Germany's gross domestic product rose a seasonally-adjusted 0.4 percent in the three months through June, following an increase of 0.7 percent, the Federal Statistics Office in Wiesbaden said on Friday. That's twice the rate economists forecast in a Bloomberg survey. Italy's economy unexpectedly stalled after expanding 0.3 percent in the previous quarter. Analysts predicted growth of 0.2 percent.

With GDP also stagnating in France, which reported initial data last month, and the Greek economy probably back in recession, Germany's role in keeping the euro-area recovery on track has risen as risks related to the outcome of Britain's referendum cloud the outlook. The Bundesbank is counting on record-low unemployment and rising wages to bolster output over the summer months and has predicted a pickup in the third quarter.

Bundesbank President Jens Weidmann has been adamant that the Brexit vote won't jeopardize the recovery, and corporate Germany agrees. Companies from Siemens AG to Evonik Industries AG have struck a positive tone in earnings reports over the past weeks, even though they warned that uncertainty in the aftermath of the U.K.'s June referendum may alter prospects -- the country is the third-largest destination for German exports.

German growth in the April-June period was driven by net trade as exports rose while imports slid, the statistics office said. Private and government consumption also supported the expansion. Equipment and construction investment damped output.

Italy's stagnation will further weigh on Prime Minister Matteo Renzi as he prepares for a referendum on which he has staked his political future. The Bank of Italy and the International Monetary Fund have both revised down their economic outlook, predicting growth of less than 1 percent this year.

Growth in the euro area slowed to 0.3 percent in the second quarter period from 0.6 percent, according to an initial estimate issued July 29.

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