

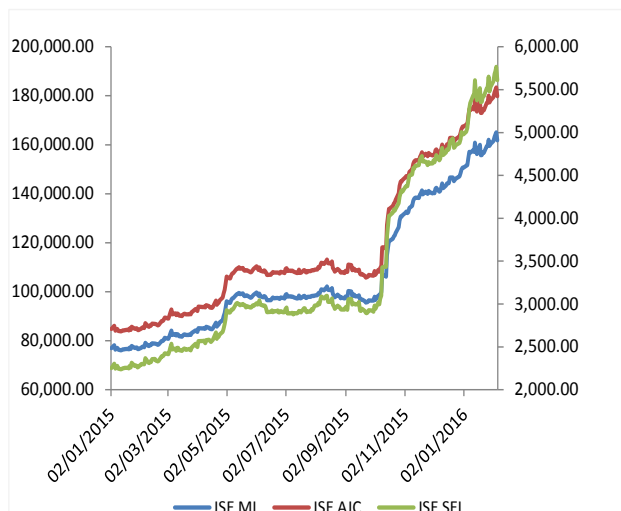
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Jamaican Stock Market



Weekly Movement in Indices

Indices	Closing Levels	Change
JSE Combined Index	168,117.47	-2,569.01
JSE Market Index	157,387.02	-1,908.03
All Jamaican Composite	174,845.16	-2,132.34
Jamaica Select Index	5,537.43	-71.29
JSE Cross Listed Index	499.06	-

Most Active Stocks

	Units Traded	%
GENAC	5,292,709	12.27%
LASM	5,051,673	11.71%
DTL	4,168,640	9.66%

Top Winners & Losers This Week

	\$ Change	% Change
Winner: JAMT	+\$4.03	107.18%
Winner: AFS	+2.25	13.35%
Loser: CBNY	-\$0.08	38.10%
Loser: AMG	-\$6.24	30.78%

Market Analysis & Commentary

Local Stocks Fall as Buyers Become More Patient

The stock market lost some steam in the past week. Though there were adequate numbers of buyers and sellers, for the most part, trading occurred well below offer prices as buyers became more patient. Market activity will also be affected by election activity this week as most investors may choose to take a wait-and-see approach. Last week, despite the fact that winners outnumbered losers 29 to 25, the Main Market lost 1,908.03 points or (1.20%), The All Jamaican Composite Index declined by 2,132.34 points or (1.20%) and the JSE Select Index 71.29 points or (1.27%).

Barita Investments off to a Rocky Start in Q1

After posting an impressive 264.3% increase in net profit for the 2014/15 financial year, Barita's start to its new financial year was well below its recent high performance. Net profit for the first quarter ended December 30, 2016 was \$27.67Mn (EPS: \$0.06). This represents a 39.4% decline when compared to the same period in 2014.

In spite of the low interest rate environment, effective investment portfolio management resulted in net interest income moving up by \$13.27Mn (+21.4%) to \$75.28Mn. In keeping with trends in the wealth management space along with recent regulatory adjustments to retail repurchase agreement framework, BIL has continued to focus on off balance sheet activities such as unit trust. Consequently, the introduction of two new unit trust products and growing assets under management resulted in a 47.0% increase in fees from its unit trust operations. With the inclusion of fees from equity trading, total fees and commission income improved from \$38.24Mn in Q1 2014/15 to \$62.74Mn in Q1 2015/16. However, foreign exchange trading and gain on the sale of investment fell by 40.7% and 57.2%, respectively. The company would have been affected by the decline in global bond prices following the Fed's decision to raise interest rates in December 2016. In light of the significant decline in some non-interest revenue streams, net operating revenue increased by only 1.4% to \$179.36Mn.

As it relates to operating expenses, lower utility costs were not enough to offset the higher staff costs due to incentive and commission payments. This resulted in total operating costs increasing by 17.4% to \$140.00Mn. The increase in costs coupled

with the meagre increase in operating revenues led to a 10.6 percentage point deterioration in BIL's efficiency ratio to 78.1%.

BIL is currently the smallest unit trust provider based on assets under management. As such, BIL's ability to capture a larger share of the highly competitive unit trust market through the introduction of more attractive products will be integral in growing fee income in the future. The increase in liquidity in the market along with continued buoyancy in the stock market augurs well for revenue growth, however bond trading activity and prices will be stymied by rising US interest rates.

At its current price of \$4.20, its trailing P/E is 8.24X while its P/B is 0.89X.

Expansion Expenses Weigh on JMMB's Performance

JMMB Group Ltd (JMMB) recorded net profit of \$1.73Bn for the nine month period ended December 2015. This represents a 7.1% year-on-year decline when compared to the earnings reported in the same period in 2014. Of the amount recorded, \$1.70Bn (EPS: \$1.014) was attributable to shareholders.

JMMB's revenues performed commendably as all net revenue streams recorded an improvement. A 20.5% growth in its loan portfolio - largely driven by its Jamaican Merchant Bank - along with management of interest expense led to net interest income moving up by 3.1% to \$4.23Bn. Meanwhile for non-interest revenue; fees and commission income, gains on securities trading and foreign exchange gains increased by 29.8%, 12.8% and 16.4%, respectively. Total operating revenues were \$709.80Mn higher (+8.5%) at \$8.50Bn. However, as JMMB continues to establish new business lines in both Dominican Republic and Trinidad & Tobago, the company registered an 8.4% increase in expenditure in these regions as well. This, along with the impact of asset tax resulted in operating expenses totaling \$6.30Bn. This is 13.6% higher than the amount spent a year earlier. As such, there was a 2.9 percentage point deterioration in efficiency ratio which ended the period at 74.0%.

Overall, JMMB has seen mixed performances from its regional divisions. While its Trinidad & Tobago operation registered a 15.1% year-on-year increase in profit, its DomRep operations have floundered somewhat, contributing only \$160.10Mn to net profit this year compared to \$507.90Mn in the corresponding 2014 period. The volatility in earnings from DomRep can be expected

as The Group continues to expand its products and services in the country. Of note, JMMB recently received a licence to administer pension funds in DR, the 1st new licence to be issued in over 17 years. DR's government-managed pension fund was estimated to have topped US\$7.0Bn as at October 2015. With this licence, JMMB can tap into the burgeoning pension fund market and earn fees from this venture.

At JMMB's current price of \$11.00, its trailing P/E is 9.65X and its P/B is 0.87X.

JMD Money Market

The Bank of Jamaica (BOJ) issued two USD-Indexed Notes on Monday, February 15th and Wednesday, February 17th. The instruments both had a limited issue size of US\$50Mn and initial coupons of 1.95% and 1.50%, respectively. The Central Bank also issued a 1-year fixed rate Certificate of Deposit via competitive auction on Friday, February 19th. The CD, which has a coupon of 5.80% and issue size of J\$1Bn, will be settled on Monday, February 22nd and had an average competitive yield of 5.85% based on auction results. February's GOJ Treasury Bill Auction was also held last Wednesday. The results showed that the weighted average yield on the 30-day instrument declined by 50bps to 5.54%, while the 180-day yield fell by 21bps to 5.73%. The yield on the 90-day instrument however increased by 6bps to 6.00%.

JMD market liquidity was significantly impacted last week by the various GOJ/BOJ instruments on offer as well as BOJ's intervention in the Foreign Exchange Market which sapped up the recent liquidity inflows from the maturity of the GOJ 2016 Fixed Rate Bonds in the previous week. As a result, there was increased demand for short term funding across all tenures.

Foreign Exchange Market

Selling	Close: 12/02/16	Close: 19/02/16	Change
J\$/US\$1	\$121.81	\$121.78	-\$0.03
J\$/CDN\$1	\$85.52	\$87.40	+\$1.88
J\$/GBP£1	\$174.18	\$173.03	-\$1.15

Amidst significant demand in the foreign exchange market during the week, the Bank of Jamaica intervened in trading activity three times to augment USD supplies. This eased pressures and led to a week on week appreciation. After opening the week at \$121.81:US\$1.00, the weighted average selling rate on Friday was J\$121.78:US\$1.00, which represents a \$0.03 gain for the local currency.

GOJ Global Bonds

There was robust demand last week for GOJ global bonds. Demand was particularly significant in the middle of the curve. GOJ 2025N traded at 108.25 and 2028s at 100.50. There were also bids on the 2045s at 97.50 and 2036s at 107.

Indicative Bond Prices

	Bid	Offer	Offer Yield*
2017	108.000	109.500	3.21%
2019	107.500	109.000	3.90%
2021	108.500	109.500	4.94%
2022	127.750	130.750	5.45%
2025 (N)	109.000	110.250	6.04%
2025	116.750	118.250	6.65%
2028	100.000	101.000	6.62%
2036	109.750	111.000	7.43%
2039	104.750	106.250	7.42%
2045	98.250	99.750	7.90%

International News

There was good news coming out of the Euro Zone last week as the bloc recorded growth in the final three months of last year. This gave some confidence that the economic zone is able to shrug off the mounting economic problems being experienced by the global economy. Year-on-year, the euro zone economy expanded by only 1.5%, just 1 basis point above the economic growth reported in 2014. With growth still being weak, there will be added pressure on the European Central Bank to ramp up its €1.5Tn Quantitative Easing strategy to buy chiefly government bonds when governors meet in March. Having spent much of their firepower, however, options are limited.

The picture varied across the euro zone, which spans economically strong countries such as Germany in the north to Greece or Portugal in the south, both of which required financial rescues. The bloc's biggest member, Germany, posted steady economic growth in the final quarter of 2015, as higher state spending to cope with an influx of refugees and construction offset a drag from foreign trade. Yet, Italy barely grew during the same period as domestic demand was slow. Economic output edged up a quarterly 0.1% at the end of last year. Overall, the data painted a bleaker picture for European industry, from car-making to mining. Industrial output fell 1% month-on-month in December - a 1.3% year-on-year fall. This was worse than expected by economists who had predicted a 0.3% monthly rise and a 0.8% annual increase in production.

[\(Reuters\) Brazil economic activity tanks again as recession deepens](#)

Economic activity in Brazil fell for the 10th straight month in December, central bank data showed on Thursday, adding to evidence that the recession in Latin America's biggest country is far from bottoming out. For all of 2015, activity fell a staggering 4.1 percent, the index showed. Economists expect the Brazilian economy to shrink again by more than 3 percent this year.

The Brazilian economy is suffering its worst crisis in decades as investors lose confidence in the once emerging-market star, after years of erratic economic policy under President Dilma Rousseff. A sharp drop in commodity prices has also hurt an economy that grew by more than 4 percent a year in the last decade.

Brazil was downgraded further into junk territory by Standard & Poor's on Wednesday, after five months after the same rating agency stripped the country of its investment grade.

*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.

(Bloomberg) China Ramps Up Rhetoric, Plans New Steps to Juice Up Economy

China is stepping up support for the economy by ramping up spending and considering new measures to boost bank lending. The nation's chief planning agency is making more money available to local governments to fund new infrastructure projects, according to people familiar with the matter. Meantime, China's cabinet has discussed lowering the minimum ratio of provisions that banks must set aside for bad loans, a move that would free up additional cash for lending.

Officials are upping their rhetoric too. Premier Li Keqiang said policy makers "still have a lot of tools in the box" to combat the slowdown in the world's No. 2 economy, days after People's Bank of China Governor Zhou Xiaochuan broke a long silence to talk up confidence in the nation's currency, the yuan. And to drive the message home, the biggest economic planning agencies on Tuesday promised to reduce financing costs as they rein in overcapacity. Throw in a record surge in lending in January and a picture emerges of an administration determined to put a floor under growth.

The nation's communist leaders are seeking to maintain economic growth of at least 6.5 percent a year through 2020 to meet their pledge of creating a "moderately prosperous society." China's annual National People's Congress meets in March, where delegates will sign off on a new five-year economic plan. The latest measures are a clear escalation of policy support ahead of the NPC conclave, said Zhao Yang, the Hong Kong-based chief China economist at Nomura Holdings Inc.

(Boomberg) Venezuela Hikes Gas Price, Devalues Bolivar as Economy Tanks

Venezuela hiked gasoline prices for the first time in almost two decades and devalued its currency as President Nicolas Maduro attempts to address triple-digit inflation and the economy's deepest recession in over a decade. The primary exchange rate used for essential imports, such as food and medicine, will weaken to 10 bolivars per dollar from 6.3, Maduro said in a televised address to the nation. The government will also eliminate an intermediate rate that last sold dollars for about 13 bolivars and improve an alternative "free-floating, complementary" market that trades around 203 bolivars per dollar.

The devaluation will ease the drain on government coffers by giving state oil company Petroleos de Venezuela SA more bolivars for each dollar of oil revenue, while higher gasoline prices will reduce expenditure on subsidies. At the same time, the devaluation will probably force the government

to raise the cost of staple foods such as rice and bread that most of the country now depends on to eat. Inflation surged to 180.9 percent by the end of the year and the economy shrank 5.7 percent. Maduro also announced a 20 percent increase to the country's minimum wage effective March 1.

The jump in gasoline prices will push up costs 60-fold, while still ensuring that Venezuelans enjoy the cheapest fuel costs in the world. As of Thursday, the gasoline price will rise to 6 bolivars a liter from 9.7 centavos. That's equal to about 11 U.S. cents per gallon using the weakest legal exchange rate of 202.94 bolivars per dollar. U.S. consumers pay about \$1.71 a gallon, according to the American Automobile Association.

The Caracas-based state oil company Petroleos de Venezuela SA spends about 2.7 bolivars a liter to produce gasoline domestically, ex-company President Rafael Ramirez said in late-2014 prior to his departure from PDVSA, as the company is known.

Fuel prices in Venezuela hadn't budged in almost 20 years. Food and gasoline price increases in February 1989 sparked nationwide protests and ultimately paved the way for the late President Hugo Chavez's rise to power. Fearing a repeat of the so-called Caracazo riots, and labeling the measure typical of neoliberal economics, Chavez never raised gas prices during his 14 years in office.

Venezuela's economy is mired in its worst recession in more than a decade as the price of oil, which accounts for 95 percent of its export revenue, fell more than 75 percent from a peak in June 2014. While Maduro maintains his country's hardships are the result of an "economic war" waged by political foes, growing discontent over soaring prices and empty shelves allowed his opponents to sweep congressional elections last year.

NCB Capital Markets Ltd (formerly Edward Gayle and Co.) established in 1968 is Jamaica's oldest stockbrokers. The company became a part of the NCB Group in 1994 and a fully owned subsidiary in October 2002. In December 2002, the then Edward Gayle and Co. was merged with another NCB subsidiary, NCB Investments. The products distributed by this combined subsidiary cover the traditional money market product offerings (J\$ and US\$ Repos), primary dealer services, stock brokerage and investment advisory services. Edward Gayle was renamed NCB Capital Markets Ltd. in October 2003.

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