

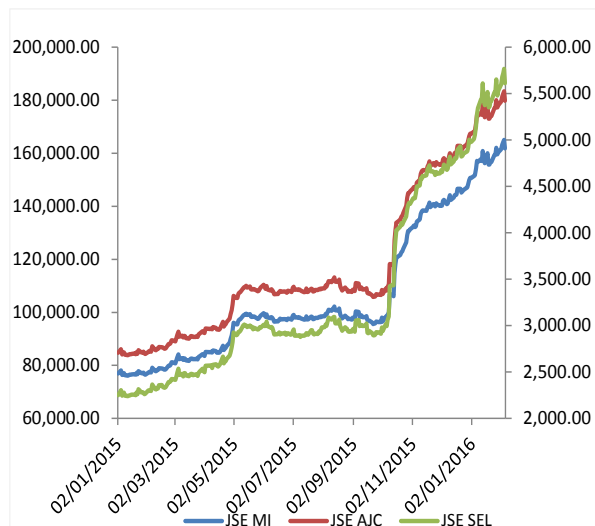
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## Jamaican Stock Market



## Weekly Movement in Indices

Indices	Closing Levels	Change
JSE Combined Index	173,031.91	+2,191.80
JSE Market Index	161,823.49	+1,474.20
All Jamaican Composite	179,803.18	+1,647.51
Jamaica Select Index	5,612.03	+79.52
JSE Cross Listed Index	499.06	-

## Most Active Stocks

	Units Traded	%
PULS	10,918,718	29.72%
CWJ	2,637,428	7.18%
JBG	2,490,472	6.78%

## Top Winners & Losers This Week

	\$ Change	% Change
Winner: AMG	+\$5.00	33.33%
Winner: BRG	+1.04	28.03%
Loser: CFF	-\$0.56	6.24%
Loser: KW	-\$0.59	5.33%

## Market Analysis & Commentary

The earnings season has begun and from all indications, junior market stocks are continuing to have an excellent year. The average increase in net profit for the 6 junior market companies that have released financial results for the quarter ended December 2015, was 63.2%. The most impressive was Honey Bun, which saw an increase of 175%, while Lasco Financial was the only company to register a decline (-12.6%).

As a result of this, the junior market index outperformed the main market last week, rising 4.08%, relative to 0.92% for the Main Index.

### Access Financial Services Ltd Records Strong Profit Despite Higher Taxes

Access Financial Services Ltd (AFS) posted net profit of \$434.56Mn (EPS: \$1.58) for the financial year ended December 2015. This represents a 41.6% increase when compared to 2014's earnings and came despite the company recording higher taxes given that it is in the second phase of its junior market tax incentive where it pays half of the applicable corporate tax rate (the company had a full tax break for the first five years after listing in April 2009). AFS benefitted from a 103.8% growth in its loan portfolio throughout the year. Consequently, interest income from its existing loans was \$85.5Mn higher (+8.7%) at \$1.07Bn. Meanwhile, gains from the purchase of the Asset Management Company Limited and ATL loan portfolios in the March 2015 quarter added another \$10.59Mn to total interest income. Net interest income moved from \$938.08Mn in 2014 to \$1.03Bn in 2015. Growth from non-interest revenue streams – net fee and commission on loans, money services and other income – was able to offset the \$4.23Mn in foreign exchange losses and contributed to a 19.2% increase in total operating revenues to \$1.26Bn.

On the expense side, staff costs moved up only 1.7% while increased focus on advertising and promotions resulted in marketing expenses moving up by 51.5%. Total operating expenses amounted to \$702.76Mn. Most notably, the significant increase in revenues supported an improvement in AFS' cost-to-income ratio. The ratio declined by 9 percentage points to 56.0%.

The ability of AFS' management to increase income from its loan portfolio will be integral to driving revenues in 2016 given the

competition in the sub-prime sub-segment. The expected growth in the local economy, lower inflation and the expected increase in disposable incomes bode well for demand for loans going forward. At the current price of \$16.86, AFS' trailing P/E is 10.67X while its P/B is 4.25X.

### Lasco Distributors Ltd Amasses Higher Profits

The introduction of new products and business lines to its portfolio helped Lasco Distributor's (LASD) record a notable increase in profit. The company registered a 49.9% year-on-year growth in its earnings for the nine months period ended December 2015. Net profit was \$591.96Mn (EPS: \$0.18). The improvement in financial performance was supported by robust growth in sales over the period. Revenue moved up by 36.3% to \$10.90Bn. However, rising input costs resulted in gross profit margin being eroded by 182 basis points to 16.3%. Operating costs totaled \$1.24Bn which was 22.6% higher than the amount recorded in 2014. Nevertheless, lower finance costs helped to offset the increase in expenses and resulted in net profit margin improving from 4.9% in Q3 2014 to 5.4% in 2015.

LASD is slated to receive approximately \$400Mn from a lawsuit won against pharmaceutical giant, Pfizer Inc. It is unclear whether the cash will be used as capital injection or distributed to shareholders through dividend payments. Nevertheless, the distributing heavyweight is likely to finish the rest of its financial year with a solid performance. At the current price of \$7.80, LASD's trailing P/E is 35.45X while its P/B is 7.74X.

### Lasco Manufacturing's Expanded Product Portfolio Lifts Earnings in Q3

Lasco Manufacturing Ltd (LASM) appears to be benefitting well from the completion of its White Marl facility. Net profit increased by \$302.44Mn (+70.9%) to \$728.74Mn (EPS: \$0.18) during the nine month period ended December 2015. This was primarily driven by strong year-on-year revenue growth. The addition of new products lifted revenues from \$3.33Bn in 2014 to \$4.83Bn in 2015. Notably, LASM was able to constrain manufacturing costs throughout the period which resulted in a 6.3 percentage point improvement in gross profit margin to 33.0%. Meanwhile, an increase in LASM's staff complement, higher marketing expenses and costs associated with new product development pushed total operating costs up by 81.6% to \$695.97Mn. Despite the significant increase

in expenses, operating margin moved up from 15.8% in Q3 2014 to 18.5% a year later. After accounting for finance costs, net profit margin was 15.1%, 230 basis points higher than the margin recorded in the corresponding 2014 period.

The introduction and steadily growing popularity of products such as the Lasco frozen dessert packet mix and almond soy drink mix, augur well for future revenue growth. At its current price of \$4.81, LASM's trailing P/E is 20.04X while its P/B is 5.14X.

### JMD Money Market

The Bank of Jamaica 2.50% USD-Indexed Note which opened on February 1st and was scheduled to close on Thursday, February 4th, was over-subscribed and closed on its first day of trading. The Note had a coupon of 2.50% and a participation level of US\$50Mn. The Central Bank also issued two (2) fixed rate 1-year JMD CDs with a 6.05% coupon via competitive auction on February 2nd and February 4th. The CD auctions, which were also over-subscribed, resulted in a weighted average yield of 5.96% and 5.95%, respectively.

JMD market liquidity conditions eased last week following the maturity of a BOJ USD-Indexed Note on Wednesday, February, 3rd. While these inflows were relatively small at J\$3.8Bn, the maturity of the BOJ 7.25% 2016 FR BMI Notes on February 11th is expected to lift liquidity levels by J\$62Bn, improving liquidity conditions and driving JMD market rates even lower.

### Foreign Exchange Market

Selling	Close: 29/01/16	Close: 05/02/16	Change
J\$/US\$1	\$121.37	\$121.49	+\$0.12
J\$/CDN\$1	\$85.73	\$86.89	+\$1.16
J\$/GBP£1	\$173.89	\$174.02	+\$0.13

Low demand from brokers and end users led to subdued foreign exchange market activity last week. As such, there was no BOJ intervention. The pace of depreciation also slowed. The JMD depreciated by \$0.12 week-over-week compared to \$0.33 the previous week. On Friday, the dollar closed at an average selling rate of J\$121.49:US\$1.00.

## GOJ Global Bonds

Global bond trading activity was very robust with a noticeable increase in demand particularly towards the end of the week. The Jaman 2025Ns and 2028s were the most heavily demanded, trading at 107 and 99.60 respectively. There was also demand on the 19s at 107 and 45s traded at 96.50. There was also significant demand for non-GOJ global bonds such as Petrotrin, both the 19s and 22s, along with Digicel 2020s, DomRep 2026s and Barbados 2021s and 2022s.

	Bid	Offer	Offer Yield*
2017	107.750	109.000	3.76%
2019	107.000	108.250	4.28%
2021	107.500	108.500	5.33%
2022	127.250	130.250	5.56%
2025 (N)	107.000	108.500	6.30%
2025	115.000	116.000	6.95%
2028	99.000	100.250	6.71%
2036	107.000	108.250	7.69%
2039	102.000	103.000	7.71%
2045	95.750	97.000	8.14%

\*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

Following news in the previous week that consumer spending declined, unemployment data was a little more favourable. The unemployment rate dropped to an almost eight-year low of 4.9%, which suggests a more resilient labour market that should contribute to wage growth. The jobless rate fell to the lowest level since February 2008. The 151,000 advance in payrolls, while less than forecast, largely reflected payback for a seasonal hiring pickup in the final two months of 2015, according to the Labour Department. The moderation in hiring still leaves the job market on solid footing and shows companies are confident about the outlook for domestic sales. A further tightening of labor conditions that sparks wage gains would help assure Federal Reserve policy makers that inflation will reach its goal.

Retailers added almost 58,000 jobs last month, the most since November 2014, and the health care industry took on another 44,000 workers. Of note, there was a 29,000 gain in hiring by manufacturers, the biggest increase since August 2013. Payrolls picked up by producers of fabricated metals, automobiles, food and furniture. Within retail, department stores and clothing outlets added a combined 26,500 jobs. Hourly earnings rose more than estimated after climbing in the year to December by the most since July 2009. Average hourly earnings rose 0.5 percent from a month earlier to US\$25.39. The year-over-year increase of 2.5% followed a 2.7% jump in the 12 months ended in December, which was the biggest advance since mid-2009.

[\(Bloomberg\) Argentina Bond Battle Drags on as Elliott Spurns Macri's Offer](#)

The 15-year dispute between Argentina and holders of its defaulted bonds is set to drag on after the biggest holdout creditors refused to accept the government's terms.

Hedge-fund billionaire Paul Singer's Elliott Management, along with Aurelius Capital Management, Davidson Kempner Capital Management and Bracebridge Capital, declined an offer made public on Feb. 5 that Argentine officials said would pay as much as \$6.5Bn on \$9Bn of holdout claims. The proposal, which was accepted by two of the six biggest hedge funds suing the country, was more generous than offers made by President Mauricio Macri's predecessors in two restructurings after the 2001 default.

Argentina will remain locked out of international bond markets as long as the dispute is unresolved, limiting the country's ability to raise financing overseas and attract foreign investment to its dollar-starved economy. Finance Minister Alfonso Prat-Gay said in a radio interview over the weekend indicated that he expects the remaining holdouts to make some concessions during the next couple of days, while Aurelius Chairman Mark Brodsky issued a statement signaling that the different terms offered to investors have left the two sides far from a deal.

The hedge funds battling Argentina have put the nation in a bind. A US court ruling means Argentina can't make payments on notes issued in its two post-default debt swaps until the holdouts are paid in full because of a so-called equal-treatment clause in the bonds. Former President Cristina Fernandez de Kirchner refused to obey the order as it took effect in 2014, triggering the nation's second default in 13 years.

Macri, who took office in December, has said he's committed to reaching a fair deal with the holdouts after campaigning on a pledge to reverse his predecessor's economic policies, which he blamed for stalling growth, inflation of more than 25% and a paucity of investment in the country.

The terms offered by Argentina vary depending on whether the bondholders have an equal-treatment ruling against the government and if they have a court judgment that specifies how much they're owed. Investors with the ruling who lack a judgment were offered as much as 72.5% on their claim, while those with a judgment would be paid 72.5% of the amount awarded by the court. Bondholders without an equal-treatment injunction were offered 150% of the face value of the bonds they own.

[\(Reuters\) Zika virus discourages many Americans from Latin America travel](#)

The rapidly spreading Zika virus is discouraging many Americans from traveling to Latin America and the Caribbean, with 41 percent of those aware of the disease saying they are less likely to take such a trip, a Reuters/Ipsos poll shows.

The poll is the latest sign the virus, suspected to be linked to thousands of birth defects in Brazil, could depress travel to popular cold-weather getaways in the coming months.

Airlines and cruise ship operators have yet to report drops in bookings because of Zika, and analysts have downplayed the impact that newly sedentary parents-to-be could have on their revenue.

Still, awareness of the mosquito-borne virus has surged to nearly two-thirds of Americans, according to the poll of 1,595 adults in the United States conducted Feb. 1-5. That compares with 45 percent who had heard of Zika in a Reuters/Ipsos poll from late January.

The U.S. Centers for Disease Control and Prevention (CDC) has advised pregnant women to avoid travel to areas with an active outbreak of Zika, and the World Health Organization has declared an international emergency over the disease.

Of those aware of the virus, 41% said they were less likely to travel to Puerto Rico, Mexico or South America in the next 12 months because of Zika, the poll found. Some 48 percent said Zika had not changed the likelihood of their visiting those destinations, while others did not know.

Six out of 10 Americans aware of Zika said the virus concerned them, including 18 percent who said they were very concerned, according to the poll.

Much remains unknown about Zika, including whether the virus actually causes the birth defect microcephaly. Brazil is investigating the potential link between Zika infections and more than 4,000 suspected cases of microcephaly, a condition marked by abnormally small head size that can result in developmental problems.

Researchers have identified evidence of Zika infection in 17 of these cases, either in the baby or in the mother, but have not confirmed that Zika can cause microcephaly.

The poll of Americans' concerns and travel plans have a credibility interval - a measure of accuracy - of 3.8 percentage points.

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