

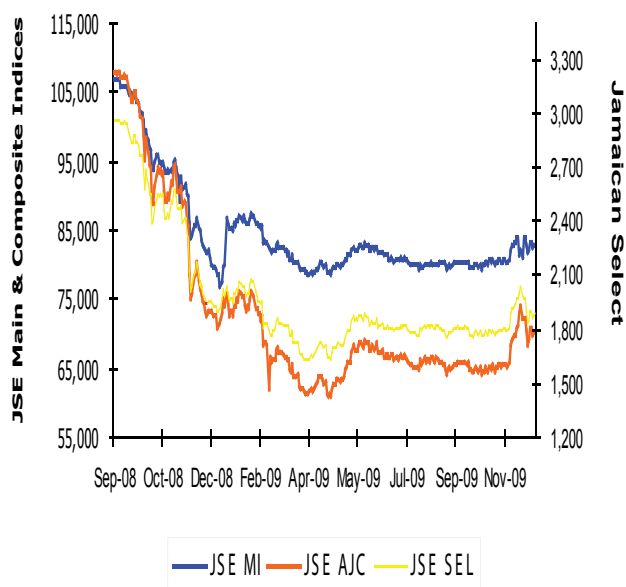
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Week ending December 4, 2009

Jamaican Stock Market



Market Analysis and Commentary

Buoyed by a strong advance to decline ratio of more than 2:1, all three market gauges registered good gains last week. The JSE Market Index advanced by 692.72 points (0.84%) to close at 82,913.56 points while the JSE All Jamaican Composite advanced by 1,103.09 points (1.59%) to close at 70,326.64 points. At the same time, the JSE Select Index advanced by 31.45 points (1.69%) to close at 1,887.35 points. The JSE Cross Listed Index also advanced by 0.38 points or (0.04%) to close at 926.98 points. Overall market activity resulted from trading in 31 stocks of which 20 advanced, 8 declined and 3 traded firm, while market capitalization increased by \$4.4Bn to close at \$542.1Bn.

Another company goes public

Despite the challenging economic environment, Barita Investments Limited will be the second company to go public this year. The company will open subscriptions for their IPO starting today Monday December 7 to December 15, 2009. Barita is seeking to raise approximately \$1.09Bn from prospective investors through 3 separate equity tranches.

1. 200,000,000 Ordinary shares of which 20,000,000 will come from existing shareholders @\$2.50.
2. 100,000,000 Series 'A' Redeemable Cumulative Variable Rate Preference Shares @\$3 per share.
3. 100,000,000 Series 'B' Convertible Cumulative Variable Rate Preference shares @\$3 per share.

Valuation of the Ordinary Shares

P/B and P/E well above industry averages...

For the year ended September 30, 2009 Barita Investments Ltd reported earnings per share of \$0.24 when using the shares outstanding prior to the issuance of the new shares. Applying this to the offer price of \$2.50 per share gives a trailing price to earnings ratio (P/E) of 10.42 times. This is higher than the average P/E of 9.36X on the two companies on the JSE we deemed to be most similar in size, income streams, and competitive position – Mayberry Investments Limited and Capital and Credit Financial Group. However, given the increase in shares outstanding following the IPO and based on our projections for earnings in 2009/10, the expected forward P/E is significantly higher at 17.3X.

As at September 30, 2009 shareholders equity totaled \$848.7Mn (BVPS of \$2.09 based on the current 405.7Mn

Weekly Movement in Indices

Indices	Closing Levels	Change
JSE Market Index	82,913.56	+692.72
All Jamaican Composite	70,326.64	+1,103.09
Jamaica Select Index	1,1887.35	+31.45
JSE Cross Listed Index	926.98	+0.38

Most Active Stocks

	Units Traded	%
GLNR	3,689,731	35.21%
SGJ	1,868,714	17.83%
SLJ	1,224,414	11.69%

Top Winners & Losers This Week

	\$ Change	% Change
Winner: NCBJ	\$1.98	15.18%
Winner: PEG	\$2.50	14.29%
Loser: SVL	-\$0.10	5.00%
Loser: FJI	-\$1.40	5.00%

shares outstanding). Applying the offer price of \$2.50 gives a price to book (P/B) value ratio of 1.20X. Assuming that the desired take-up is achieved, the company's book value should increase to \$1.64Bn (BVPS: \$2.80). The new P/B ratio of 0.90X is still very high when compared to the 0.67X of comparable companies on the JSE and even more expensive when compared to larger listed brokerages. Applying the average P/B of 0.67X should give a price close to \$1.88 per share. **At \$2.50 per share, we are NOT recommending the ordinary shares as a BUY.**

Series 'A' 2012 Redeemable Cumulative Variable Rate Preference shares

Barita is offering 100Mn redeemable preference shares at \$3 per share. The preference share pays a fixed dividend yield of 16.50% for the first year. Thereafter, dividend payments will be based on a reset margin of 1.75% above the average yield on the Six-Month Treasury Bill issued immediately preceding the next re-set date for the Preference Dividend. Dividends on this issue are not tax free and therefore subject to the normal 25% withholding tax rate.

Recommendation

The initial dividend yield of 16.50% is 43 basis points and 50 basis points lower than the most recent six month Treasury bill yield (Nov-16.93%) and the 180 day open market rate by the BOJ (17%), respectively. Although the initial yield is fixed for the first year, FR instruments over the 3-year tenure would be more attractive given the expectation of further declines in interest rates by the BOJ. **In addition, the reset margin 1.75% does not offer investors a sufficient risk premium above GOJ instruments of similar maturity. As such we are not recommending this preference share.**

Series 'B' 2012 Convertible Cumulative Variable Rate Preference Share

The company will also be seek take-up for 100Mn convertible preference shares at \$3 per share. The Series "B" preference shares have a mandatory conversion feature and the conversion into ordinary shares will take place prior to the third anniversary date of the close of the issue, which is expected to be November 2012. The conversion will see shareholders acquiring each ordinary share at a rate of six (6) times trailing EPS or six dollars (\$6) per share, whichever is higher. This preference share pays a fixed rate of 12% (tax free) for the first year semi-annually. Thereafter it will yield a variable rate of the 6-month Treasury-Bill yield (after tax) or 12%, **whichever is lower.**

(Continued on page 3)

Foreign Exchange Market

Selling	Close: 27/11/09	Close: 04/12/09	Change
J\$/US\$1	\$89.64	\$89.56	+\$0.08
J\$/CDN\$1	\$83.56	\$85.71	+\$2.15
J\$/GBP£1	\$147.48	\$148.96	+\$1.48

Although USD supplies remain limited, there was no BOJ intervention in the market this week. Brokers continued to report strong end-users demand. Some brokers sold at a high of US\$89.85. However, the Jamaican dollar appreciated against its US counterpart this week, following several consecutive weeks of declines. The weighted average selling rate for the US\$ closed at \$89.56/US\$1.

GOJ Bonds

The bond market continued to be very subdued with very little trading activity. The 17s traded small volumes at 89 while larger volumes were being offered at 92. There were several bids on the 39s at 64 however offers were closer to 70. There were also offers on 2012 and 2014 at 89, while 15s were being offered at 92.50. The market continues to be surrounded by uncertainty caused by the delay of the IMF agreement.

Indicative Levels

	Bid	Offer	Offer Yield*
2011	99.000	101.000	10.96%
2012	88.000	92.000	14.80%
2014	87.000	92.000	12.78%
2015	89.000	95.000	10.21%
2017	88.000	93.000	12.06%
2019	71.000	76.000	12.69%
2022	101.500	105.500	10.80%
2025	78.000	81.000	11.94%
2036	65.000	70.000	12.37%
2039	60.000	70.000	11.63%

*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.

Recommendation

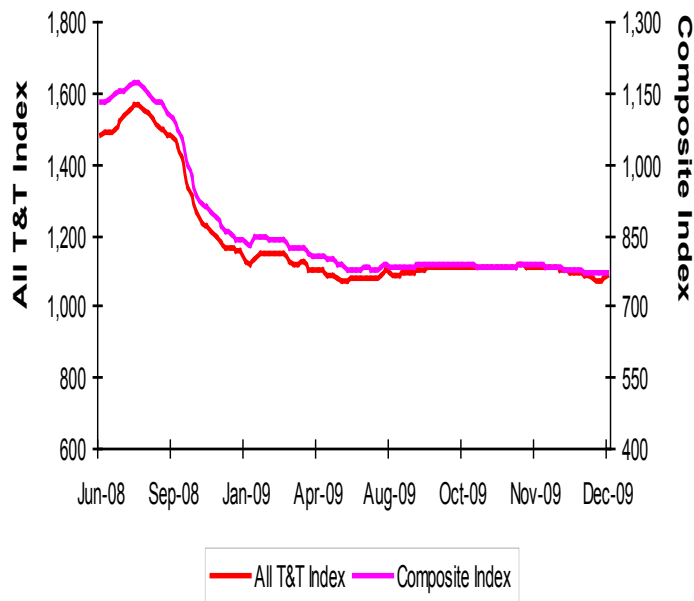
The effective before tax yield would equate to 16% for resident individuals who are taxed at a rate of 25%; while resident non-individual investors would earn an effective tax yield of 18%. The 16% coupon rate is considerably lower than the most recent Treasury bill yield of 16.93%. After one year, both individuals and corporate institutions are likely to face considerably lower yields taking into consideration the expectation of further declines in interest rates by the BOJ and the GOJ. That said, fixed rate instruments over the stated period would be a more attractive investment option that would protect investors from declining interest rates.

The mandatory conversion feature of this preference share also reduces the attractiveness of the issue. Given the expectation of fairly weak earnings over the next 3 years, the conversion rate (relevant rate) is likely to be at \$6 per share versus the 6 times earnings outlined in the prospectus. At this conversion price, the stock price would have to increase by 140% from the current price of \$2.50 over the next 3 years to make it beneficial to the shareholder. **As such, we are not recommending the purchase of the Convertible Preference Shares. Further, it is not recommended for non-resident investors due to the fact that the dividends will be taxable and GOJ instruments represent a more attractive alternative.**

J\$ Money Market

The J\$ money market liquidity remained tight despite huge inflows from BOJ OMO maturities and interest payments totalling \$12.26Bn. However, there was some improvement in liquidity with inflows from maturing GOJ instruments. Overnight rates were between 9.00% to 10.00%. The 30-day rates however remained relatively high at between 14.50% and 14.75%.

Trinidad & Tobago Update



Although advancing stocks outnumbered declining stocks by a ratio of 5:1, there was mixed results on the Trinidad and Tobago stock market. The All T&T Index advanced by 4.43 points (0.41%) to close at 1,086.01 while the Composite Index declined by 0.35 points (0.05%) to close at 771.80. The Cross Listed Index declined by 0.56 points (0.97%) to close at 56.83.

Overall Market activity resulted from trading in 21 stocks of which 5 advanced, 1 declined and 15 traded firm. Market volume fell almost 75% from last week to 511,700 units valued at over \$18,576,246.70. Republic Bank Limited was the volume leader with 210,480 units (41.13%) followed by NCBJ with 83,538 units (16.33%) and NEL with 47,509 units (9.28%).

There was limited price appreciation this week from the 5 advancing stocks as Republic Bank Limited gained \$1.01 or 1.37% to close the week at \$75 followed by WITCO with a negligible 0.65% price increase to \$32.31. Negative news surrounding the parent company of NCBJ resulted in NCBJ being the only declining stock this week. NCBJ gave up 9.1% this week to close at \$1.00.

EXCHANGE RATE:

Exchange Rate **TT\$1/J\$14.14**

International News

Investors shook off concerns over the potential default of Dubai World's as positive economic data flow buoyed market sentiment. The key unemployment rate, which peaked last month, fell surprisingly as employers cut fewer jobs last month. The decline in the unemployment rate is good news as it signals that the US economy is stabilizing. At the same time the unemployment rate is still expected to move higher as more discouraged workers begin to look for jobs as the outlook for economy begins to improve. The improvement in the job market was also evidenced by the decline in jobless claims which fell to its lowest level in one year. The strong reading for new orders in the ISM manufacturing report coupled with a jump in housing construction and pending home sales is positive for US economic recovery; but wasn't enough to push the stock market higher week over week.

Elsewhere in the world, Australia's Central Bank raised its benchmark interest rate for the third successive month by a further 25 basis points to 3.75%. The Central Bank cited its policy tightening decision has caused some speculation in the financial markets and hinted at a possible pause in tightening at the next meeting.

- Pending Home sales increased month over month by 3.7%
- Initial jobless claims increased by 457K from 466K last month
- Unemployment rate in the US fell to 10% from 10.2% in the previous month.
- ISM Non-manufacturing Composite Index declined to 48.7 from 50.6 last month.

Dubai World in Debt Talks on \$26 Billion, Rest Stable

Dec. 1 (Bloomberg) -- Dubai World began talks with banks to restructure \$26 billion of debt, including \$3.5 billion owed by property unit Nakheel, and said the remainder of its liabilities are on "a stable financial footing."

Debt from subsidiaries including Infinity World Holding, Istithmar World and Ports & Free Zone World will be excluded from the negotiations, Dubai World, one of the emirate's three main state-related holding companies, said in a statement. The cost to protect Dubai debt against default fell to the lowest since Nov. 25. Dubai's main equity index dropped 6.6 percent.

Dubai is seeking to delay payments on less than half its \$59 billion of liabilities, easing the potential damage to banks recovering from \$1.7 trillion of losses and writedowns from the global crisis.

U.S. Economy: Services Shrink on Concern Job Cuts to Hurt Sales

Dec. 3 (Bloomberg) -Service industries in the U.S. unexpectedly contracted in November, contributing to concerns that mounting unemployment will hurt sales. The Institute for Supply Management's index of non-manufacturing businesses that make up almost 90 percent of the economy fell to 48.7 from 50.6 in October, according to the Tempe, Arizona-based group. Fifty is the dividing line between expansion and contraction.

European Economy Resumes Growth as Exports Rebound

Dec. 3 (Bloomberg) -- Europe's economy emerged from the worst slump in more than six decades in the third quarter as governments stepped up spending and exports increased for the first time in one-and-a-half years.

Gross domestic product in the 16-nation euro region rose 0.4 percent from the second quarter, when it dropped 0.2 percent, the European Union's statistics office in Luxembourg said today. Exports increased 2.9 percent from the second quarter, when they fell 1.3 percent, and government spending increased 0.5 percent.

U.S. Jobless Claims Unexpectedly Fall to One-Year Low

Dec. 3 (Bloomberg) -- The number of Americans filing first-time claims for unemployment benefits unexpectedly fell last week to the lowest level in more than a year, as sign companies are holding on to workers as the economic recovery unfolds.

Initial jobless claims declined by 5,000 to 457,000 in the week ended Nov. 28, the fewest since September 2008, a Labor Department report showed today in Washington. The number of people receiving unemployment insurance rose in the prior week, and those getting additional payments jumped as some states started reporting figures on the government's latest extension.

Payrolls in U.S. Decline 11,000; Unemployment at 10%

Dec. 4 (Bloomberg) -- Employers in the U.S. cut the fewest jobs in November since the recession began and the unemployment rate unexpectedly fell, signaling the recovery is lifting the labor market out of the worst slump since World War II. Payrolls fell by 11,000 workers, less than the most optimistic forecast among economists surveyed by Bloomberg News, figures from the Labor Department showed today in Washington. The jobless rate declined to 10 percent.

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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