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NCB CAPITAL MARKETS LIMITED

Weekly Market GUIDE

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Week ending May 28, 2010

Jamaican Stock Market

Weekly Movement in Indices

Indices	Closing Levels	Change
JSE Market Index	86,395.45	-463.30
All Jamaican Composite	83,440.18	-947.74
Jamaica Select Index	2,265.03	-33.97
JSE Cross Listed Index	851.78	+2.91

Most Active Stocks

	Units Traded	%
JMMB 12.25%	3,826,000	34.88%
JMMB	2,004,620	18.27%
CWJA	1,211,428	11.04%

Top Winners & Losers This Week

	$ Change	% Change
Winner: MIL	$0.19	7.04%
Winner: GLNR	$0.04	2.99%
Loser: SDBG	-$1.89	8.00%
Loser: BRG	-$0.24	7.64%

Market Analysis and Commentary

The civil unrest experienced in sections of the nation's capital last week, took its toll on trading activity in the equities market. This led to even lower trading volumes which had already been adversely impacted by weaker investor sentiment following the unfavourable earnings releases. Last week, Scotia Group reported a 10.2% decline in Q2 profit, while its wealth management arm-Scotia DBG investments reported a 62% reduction in earnings. Both Scotia Group and SDBG Investments have joined the list of companies that reported lower earnings this season reflecting the challenges of the operating environment in light of the ongoing recession, coupled with the impact of the Jamaica Debt Exchange. Market volume amounted to just 10.97Mn units valued at roughly $82.41Mn. Following this, the JSE Main Index declined 463.30 points or (0.53%); the All Jamaican Composite declined by 947.74 points or (1.12%); and the JSE Select Index lost 33.97 points or (1.48%).

Scotia Group and Scotia DBG Report Lower Earnings

Scotia Group reported net income of $2,566Mn (EPS: $0.82) which is 10.5% lower than profit recorded in Q22009. The results reflect a 12.4% reduction in net interest income as the group had two full months of the JDX. For the first half of the year, Profit declined marginally to $5,378Mn (EPS: $1.68) from $5,385Mn (EPS: $1.67). Scotia DBG Investments registered a 61.5% reduction in their profit for the reporting quarter to $202.14Mn (EPS: $0.48). The after-tax results were impacted by the recognition of deferred taxes on net interest receivable balances which totalled $206 million for the quarter. The group also witnessed a 10.7% decline in core earnings. For the first half of the year, net profit stood at $747.70Mn (EPS: $1.77), a 17.9% decline in profit relative to the corresponding prior year period.

PIOJ Expects Economy to Bottom Out in Q2

The Planning Institute of Jamaica (PIOJ) at its recent quarterly press briefing noted that the economic recession is expected to end in the second quarter (Q2) of 2010. The projection is for economic growth in the range of 0.0% to 1.0% in Q2 following eight consecutive quarterly declines. This includes the 1.4% contraction in the first quarter of 2010 reflecting the flat outturn in services and a 5.7% decline in the Goods Producing sector.

An end to the current recession would be a positive, particularly as it relates to the performance of listed companies and the equities market on the whole. But are these projections too optimistic? One of points supporting the PIOJ's projection is that the global recovery should continue to filter through to the domestic economy and provide impetus for economic activity. The PIOJ mentioned that the outturn in the second quarter should benefit from the re-opening of the Windalco Plant in June following the closure last year, which bodes well for the Mining and Quarrying sector. Preliminary data for April showed that total bauxite production increased 37.5%, while bauxite exports increased 35.6%. The increase in the cap on NHT loan amounts and the decline in interest rates are also expected to stimulate the demand for mortgages and loans, thereby driving activity in the real estate and manufacture sub-sectors. Further, construction activity could get a boost from the higher level of road construction and repairs expected to take place. That said, we believe that the risks to economic expansion remain high. The unemployment rate for the quarter ending January 2010 averaged 13.5% and is the highest recorded since October. Given significant staff cuts in the public and private sectors, unemployment could surpass October 2005 levels (15.4%) which could mean further retrenchment in consumer spending. The Finance and Insurance sector is also expected to continue to weigh down the Services Industry given that the full impact of the Jamaica Debt Exchange should be seen in Q2 and onwards. There is also usual risk of natural disasters (particularly floods and hurricanes) which usually increase in Q2 and Q3.

And what of the Political Risk?

The recent disturbances on the political front could further undermine an already weak economy. The expected upheaval in parts of the capital is likely to adversely affect business activity, while bond prices have been responding negatively to the news which could be reflected in the results for financial companies in the short term. Given these risks, our estimates for the second quarter are a bit more conservative. Our projections are that economic activity is likely to be in the -0.5% - 0.5% range.

J$ Money Market

The JMD broker market remained liquid throughout the week despite the extended presence of the bond in the market. This liquidity was primarily a result of large inflows from OMO maturities. As such, market quotes remained stable. Brokers continue to express greater interest in placing funds for tenors in excess of 30 days to hedge against a near term BOJ rate cut. The 30-day rates ranged from 9.50%-10.0%, while overnight rates were in the 5.0% to 6.0% band.

Foreign Exchange Market

Selling	Close: 21/05/10	Close: 28/05/10	Change
J$/US$1	$88.64	$88.48	+$0.16
J$/CDN$1	$83.15	$84.53	-$1.38
J$/GBP£1	$127.68	$127.33	+$0.35

The weak demand which the foreign exchange market has been experiencing continued last week. This situation is reflective of the ongoing local recession which has resulted in a retrenchment in consumer spending. As a result, businesses are importing less which has translated into reduced demand for hard-currency. The latest Balance of Payment update by the Central Bank showed a 40% reduction in payments for imports in 2009. Further reduction is expected at least for the first half of 2010. This week, the US$ was sold at a low of $87.80. The weighted average exchange rate closed at J$88.48/US$1.

GOJ Bonds

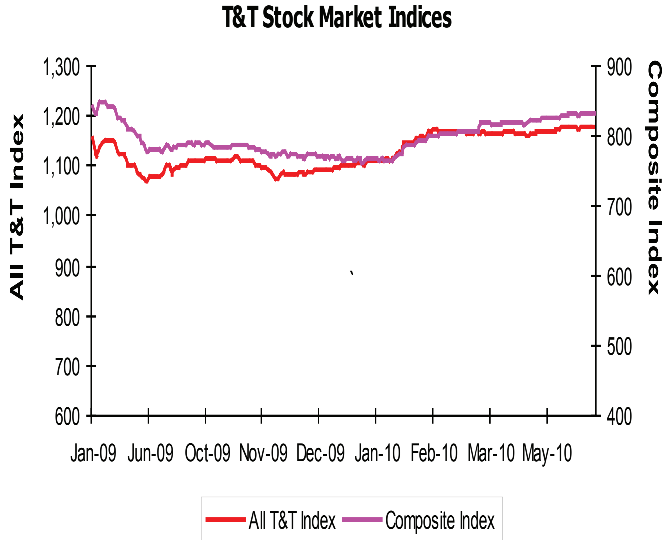
The turmoil in Europe continued to negatively affect markets across the globe inclusive of emerging market debt. Local events have also added to the downward pressure on GOJ bond prices. The 2019's were the most heavily traded with trades done at or above 96.50 while a limited amount of 2015's were done at 102. Bids were seen on 2017's between 106.50-107 while bids on 2025's were in the 96-97 price range.

Indicative Levels

	Bid	Offer	Offer Yield*
2011	104.000	106.000	5.22%
2012	99.500	103.000	9.36%
2014	97.500	102.000	9.88%
2015	100.000	103.000	8.26%
2017	105.000	108.000	9.06%
2019	92.500	95.500	8.73%
2022	131.750	137.000	6.86%
2025	95.000	97.000	9.63%
2036	90.000	94.000	9.11%
2039	83.000	86.000	9.42%

*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.

Trinidad & Tobago Update



Activity on the Trinidad & Tobago stock exchange decreased relative to the previous week. Market volume amounted to 1,659,385 units (7,786,489 units reported in the prior week) valued at over $37,302,479.54. There were positive changes in the two main indices however, on the back of a positive advance to decline ratio of 5 to 3. The Composite Index gained 1.00 point to close at 832.36 and the All T&T Index increased 2.09 points to close at 1,180.19 points. The Cross-Listed Index was flat at 60.32 points.

The main advancers last week were Capital and Credit Financial Group which gained 14.3% to close at $0.24; and National Flour Mills which rose 11% to $1.00. On the other hand, Guardian Holdings Limited which declined 3.0% was the week's top decliner. The stock closed at $14.50.

EXCHANGE RATE:

Exchange Rate **TT$1/J$13.98**

INFLATION RISES FOR A FOURTH CONSECUTIVE MONTH

According to the Central Bank of Trinidad and Tobago, inflation continued on an upward trend in April for the fourth consecutive month. Headline inflation, rose to 7.3% for the twelve months to April 2010 from 5.1% in March. Month over month, headline inflation increased by 3.2% far exceeding the average 1.1% for the first three months of 2010. The monthly increase in April is the largest recorded since January 1990.

The severe drought which the country is currently facing was the main reason for the accelerated increase in domestic food crop production which propelled a 12.7% rise in food prices (6.9% in March). A brisk 6.2% increase was recorded for just the month of April.

Core inflation, which filters out the impact of food prices, increased to 4.4% in the twelve months to April from 4.1% in the previous month. The rise in the core inflation rate primarily reflected increases in the transportation and recreation and culture sub-indices, which together account for roughly one-third of the weight in the core inflation index.

The central bank noted that the expectation is for further upward pressures on food prices as a result of widespread flooding already being experienced since the start of the rainy season, combined with the expected increase in some international commodity prices. Domestic demand is expected to pick up slowly given that the election uncertainties are over. However, the central bank stated that the abundant spare capacity should help to contain any major increase in core inflation.

While the central bank may wish to reduce interest rates in order to stimulate economic activity following the current weakness in domestic demand and private sector credit, high inflation levels have kept the bank on hold for some time. Given the need to keep a lid on the increase in consumer prices, the Bank has again decided to maintain Repo Rates at 5.0%.

Source: Central Bank of Trinidad & Tobago

International News

Fears of a double-dip global recession resurged last week as Spain lost its AAA credit rating. Despite approving its first public sector wage cut as a part of its fiscal austerity programme implemented under an IMF Agreement, it still failed to gain any favour with fearful investors and rating agency, Fitch, lowered its triple A credit rating during the week to AA+. Global equities advanced earlier in the week but dipped on Friday as investors reacted to the downgrade. However, equities still managed to close the week marginally higher.

Outside of the significant jump in existing home sales in April, the last month of the government's second round stimulus package, US economic data pointed to challenges in the US economy. Uncertainty over the housing market remains a key factor for the economy. In addition, if the labour market fails to recover soon, rising foreclosures could add to further challenges for the sector going forward. Consumer sentiment improved incrementally, however, jobless claims showed no significant decline; a worrisome sign for the labour market. GDP for the first quarter was also revised downward but still reflects the ongoing expansion in US economic activity.

Minutes from the Fed meeting indicated that decisions have not been made regarding assets sales and Fed officials continue to expect slow economic growth. Overall, the Fed has upgraded its economic forecast but this is expected to be tempered by the fact that these forecasts were made prior to the Greece debacle which has increased uncertainty in the global financial market. For now, the Fed remains firm on keeping interest rates at historical lows but is continuing to make preparations for the inevitable unwinding of its expanded balance sheet.

•Personal Income increased by 0.4% during the month of April.
•Housing Price Index increased by 0.3% compared to the 0.2% decline last month
•GDP was revised downward for Q1 to 3% from 3.2% previously.
•Initial jobless claims fell to 460K from 471K the previous week

Spain Loses AAA Rating at Fitch amid Deficit Crisis

May 28 (Bloomberg) Spain lost its AAA credit grade at Fitch Ratings amid a fiscal crisis that prompted the European Union to forge an almost $1 trillion bailout package for the region's weakest economies.
The ratings company cut the grade one step to AA+ and assigned it a "stable" outlook, according to a statement from London today. Spain has held the top rating at Fitch since 2003. Standard & Poor's lowered Spain's ratings to AA on April 28.
Spain is struggling to cut the euro region's third-largest budget deficit as the economy, still reeling from the collapse of a debt-fueled construction boom, is expected to contract for a second full year. Prime Minister Jose Luis Rodriguez Zapatero, who has angered traditional allies by cutting public wages and freezing pensions, has failed to convince investors he can put the finances back in order as borrowing costs continue to surge.

U.S. Economy: Spending Pauses as Households Save More

May 28 (Bloomberg) Consumer spending paused in April after growing in the first quarter at the fastest pace in three years as Americans used gains in wages to rebuild savings.
Purchases were little changed last month after climbing 0.6 percent in March, indicating an early Easter holiday may have pushed demand into the prior month at the expense of April, according to figures from the Commerce Department today in Washington. Other reports showed households gained confidence in May and businesses expanded for the eighth consecutive month.
More jobs mean households will be less dependent on government help to maintain spending, which accounts for about 70 percent of the economy. Profits at retailers including Target Corp. are beating estimates, and General Electric Co. is among companies saying the global economic rebound is strong enough to withstand the turmoil in financial markets.

Europe Economic Confidence Slips, Inflation Quickens

May 31 (Bloomberg) European confidence in the economic outlook unexpectedly worsened in May and inflation accelerated less than economists forecast as the euro region's debt crisis shook markets. An index of executive and consumer sentiment in the 16 euro nations fell to 98.4 from 100.6 in April, the European Commission in Brussels said today. Economists had forecast an unchanged reading, based on the median of 25 estimates in a Bloomberg News survey. Consumer-prices rose 1.6 percent in May from a year ago, a separate report showed, below the 1.7 percent rate forecast by economists. Inflation was 1.5 percent in April.
The euro-region economy may struggle to gather strength after the threat of contagion from Greece's budget woes eroded investor sentiment and forced governments to step up spending cuts to reduce deficits. While a drop in the euro has helped bolster exports, it's also pushing up import costs. The Stoxx Europe 600 Index has lost 7 percent over the past two months.

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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