

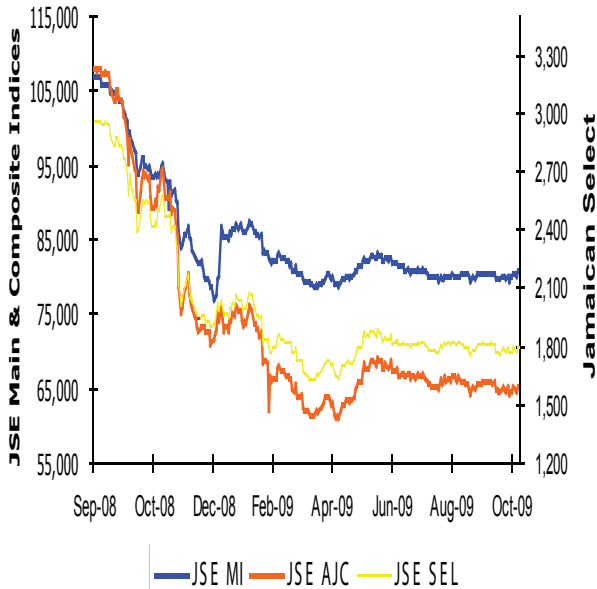
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Week ending October 16, 2009

Jamaican Stock Market



Weekly Movement in Indices

Indices	Closing Levels	Change
JSE Market Index	80,643.89	+443.68
All Jamaican Composite	65,365.59	+722.76
Jamaica Select Index	1,794.46	+21.77
JSE Cross Listed Index	981.77	0.00

Most Active Stocks

	Units Traded	%
DG	1,998,736	47.28%
NCBJ	355,048	8.40%
SLJ	352,265	8.33%

Top Winners & Losers This Week

	\$ Change	% Change
Winner: SLJ	\$1.10	21.15%
Winner: CCC	\$0.49	14.16%
Loser: BRG	-\$0.20	13.33%
Loser: GK	-\$4.82	11.26%

Market Analysis and Commentary

Last week, stock market activity was extremely sluggish as just 4.22Mn units valued at \$35.71Mn changed hands. Despite this, gains in Sagicor Life and Carib Cement helped the three main indices to head north. The Main Index gained 443.68 points (0.55%); the All Jamaican Composite Index advanced by 722.76 points (1.12%) and the JSE Select Index added 21.77 points (1.23%). The results were generated from the trading of 28 stocks of which 13 advanced, 10 declined and 5 share prices were unchanged.

Although equity investors remain circumspect regarding the state of the local economy, the signing of the IMF agreement later in the year as well as further declines in interest rates could provide the impetus for the usual year-end bounce in the stock market.

Access Goes Public

The first stock to test the waters of the Junior Stock Exchange will be Access Financial Services- a 49% subsidiary of Mayberry Investments Limited. The company's business is centered around the provision of small and medium business loans as well as personal loans mainly to 'sub-prime' borrowers. The Company also offers hire purchase facilities, remittance, cambio and bill payment services. From the Initial Public Offering (IPO) which closes on October 20, 2009, Access Financial will be seeking to raise approximately \$100 million from issuing 5,490,199 shares at a subscription price of \$18.34 per unit. By going public, management intends to raise the company's profile and use the funds to expand its loan portfolio and market its existing branches. Further, the company will be able to take advantage of the 5 year tax holiday which is being granted to companies that list on the Junior Exchange which has positive implications for earnings during this period.

But is Access Trying to Access too Much from Equity Investors?

The company's book value stood at \$138.2Mn (\$5.02 per share) and based on the offer price of \$18.34 the stock has a P/B of 3.65X. This ratio is very high relative to the average P/B of 0.93X or even the historical P/B of 1.67X for financials. Applying the conservative historical P/B for financial stocks to Access' book value would give a fair value of \$8.38 per share. Also, at \$18.34, the stock would be trading at a Price to earnings ratio of roughly 15X, which exceeds the current P/E for financials of 5.7X. Thus from a relative value perspective, the subscription price of \$18.34 exceeds fair value estimate.

As it relates to the prospects for the company's operations- in the near term, the benefits of the tax holiday on earnings could be tempered by an increase in loan/credit losses as the contraction in the local economy and unemployment levels increase.

Fiscal: Government Revenues Continue to Underperform

For the period April to August 2009, Central Government continued to see a falloff in revenues. However, further expenditure cuts meant that the fiscal deficit amounted to \$60.48Bn, \$2.86Bn above target (\$3.1Bn above target in the year to July 2009). Expenditure on programmes was running \$8.63Bn behind budget and was the main contributor to cost curtailment. Receipts from tax revenues and grants totaled \$109.03Bn, \$10.48Bn less than budget. Revenues from Production & Consumption and International Trade were the hardest hit, 10.9% and 12.2%, respectively below projections. Revenues from Income and Profits fared slightly better falling by only 2.4%.

Back to School Expenses Help Trigger Uptick in Monthly Inflation

There was an uptick in inflation in the month of September. Spurred primarily by increases in the Education (+3.9%), Housing Electricity, Gas and other Fuels (+5.3%) and Miscellaneous Goods and Services (+2.9%) divisions, consumer prices rose 1.7% during the month, the highest monthly increase since the start of the year. The Statistical institute noted that increases in the prices of sugar, school books, education supplies, tuition fees and electricity rates were the major contributors to the rise in inflation.

Inflation was 7.2% for the year to September, up from 6.1% in August. For the fiscal year to date consumer price have risen 5.9%.

J\$ Money Market

Market participants are seemingly positioning themselves to take up any relatively attractive instrument that may come on offer in the next few days. As such, funds were mainly being placed for shorter tenures in the money market last week. Overnight rates were in the 7.0% and 8.0% range last week and 30-day rates hovered around the 14.0%- 15.0% mark. **OMO maturities and interest payments should amount to just under \$1.66Bn in the current period.**

Foreign Exchange Market

Selling	Close: 09/10/09	Close: 16/10/09	Change
J\$/US\$1	\$89.10	\$89.19	+\$0.09
J\$/CDN\$	\$84.92	\$85.89	+\$0.97
J\$/GBP	\$141.79	\$144.66	+\$2.87

With the end of the summer period signalling further decline in already weak inflows from tourism as well as falling remittances, the supply of US\$ is on track to fall below the historical monthly average this month. There was no ease in the demand for the hard-currency. The US\$ traded in the range of \$89.00 and \$89.35. Over the past few weeks, the exchange rate has inched upwards. However, with the NIR at US\$1.93Bn as at September, the central bank has reserves to curtail the pace of depreciation if the need arises.

GOJ Bonds

Due primarily to the lack of liquidity in the market, most bond prices remained flat week over week. This had an adverse impact on trading activity despite the fact some bonds were looking fairly attractive. One such bond is the Air Ja 2015 which is yielding 13.81% at a bid price of 90. Offers were seen on the GOJ 2017s & 2019s but these were on the high end.

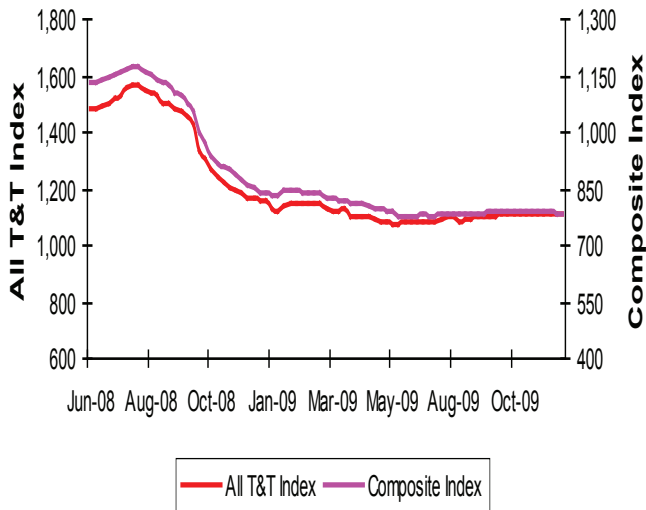
Indicative Levels

	Bid	Offer	Offer Yield*
2011	102.000	103.500	9.28%
2012	98.500	102.500	9.88%
2014	97.000	101.000	10.23%
2015	98.000	99.000	9.23%
2017	98.000	101.000	10.43%
2019	85.000	87.000	10.31%
2022	104.000	106.000	10.73%
2025	86.000	88.000	10.85%
2036	77.000	79.000	10.94%
2039	74.000	76.000	10.70%

*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

T&T Stock Market Indices



There was a significant increase in market activity on the Trinidad & Tobago Stock Exchange last week. West Indies Tobacco Company played a role in this uptick in trading activity as the stock accounted for 510,621 of the 6.98Mn units traded.

West Indies Tobacco was also the top advancer last week, with the stock adding another 10% to close at TT\$30.80. This helped the All T&T Index to add 3.66 points to its previous week's close to 1,113.10 points. However, weighed down by losses in FirstCaribbean International and NCBJ, the Composite Index lost 3.88 points to close at 784.78 points. The Cross Listed Index lost 1.33 points to end on 56.82 points.

EXCHANGE RATE:

Exchange Rate **TT\$1/J\$14.09**

Browne: No plans for Govt to increase shares in RBL

The Trinidad Guardian (published: 16 Oct 2009)

Stating he was unaware that the National Insurance Board (NIB) had increased its shareholding in Republic Bank Ltd (RBL), Minister in the Ministry of Finance, Mariano Browne, said government has no plans to increase its control over the bank. Government, by agreeing in January 2009 to bail out the cash-strapped CL Financial Group, now has control of CL Financial's 55 per cent shareholding in RBL. The shareholding must not be confused with Government in its custodian role," said Browne, who's also Trade Minister.

He was speaking at yesterday's post-Cabinet press conference at the Diplomatic Centre, St Ann's. NIB on Wednesday published two notices stating it had increased its shareholding in RBL and Trinidad Cement Ltd (TCL). Browne said there were no plans by government to increase its control over RBL. "There is no attempt by Government to increase its leverage over Republic Bank," he said, adding that NIB's role is to provide for those people who have paid contributions to it. "In any case, the shareholding at NIB is issuant in its obligations for investments, which will reach down to the benefit of its constituents, and for those of us who are contributors to the NIS who are looking forward to benefits for our retirement," he said.

Commenting on questions about CL Financial and government's role in the group, Browne said Government's role is to guide the conglomeration out of its current financial state. "Government is trying to create a mechanism for the management of the CL Financial Group and to manage it out of its position. "We do have a custodian role with the shares, and our position is to manage that in the interest of the people of T&T so that we bring it back to an operating level for the people of T&T," he said. Browne also said government had no intention of selling any of the assets of Clico, one of the three CL Financial-owned companies that was being bailed out. "One needs to be judicious in terms of the managing of the assets at CL Financial Group, given the depressed state of the market both here and internationally. There is certainly no intentions of selling the assets. The position is to manage them and manage them well," he said.

International News

The earnings season began in earnest last week and our expectations were largely on point. The stock market continued to push higher as earnings results, which were better-than-expected, pushed the Dow Jones Industrial Average Index briefly above the psychological 10,000 point mark. Strong results from Goldman Sachs, JP Morgan Chase and Google, along with solid gains in Retail Sales (excluding autos) fueled a strong rally on Wall Street early in the week. According to Bloomberg, based on earnings released so far, 80% of companies in the index beat third-quarter earnings estimates which compares with 72.3% during the April-June period. The better than expected performance comes against the background of numerous downward revisions of earnings projections by analysts earlier this year. However, the huge loss reported by Bank of America and the decline in the Consumer Confidence index resulted in a pull back in end-week trading. While there was not much movement in the price of GOLD this week, oil prices broke through the US\$75 level as weather forecasters are predicting the worst winter this decade for the US.

- Initial jobless claims increased by 521K, lower than the 540k expected by analysts and lower than the 551K in the previous months.
- ISM non-manufacturing Index increased to 50.9 from 48.4 in the previous month.
- ABC consumer confidence came in at 45, in line with the general consensus.
- Trade deficit came in at \$30.78Bn, lower than the \$32.7Bn in the previous month.

U.K. Inflation Rate Drops to Lowest in Five Years

Oct. 13 (Bloomberg) The U.K. inflation rate dropped in September by more than economists forecast to the lowest in five years as the worst recession in a generation purged cost pressures throughout the economy. Consumer prices rose 1.1 percent from a year earlier, compared with 1.6 percent the previous month, the Office for National Statistics said today in London. The median forecast in a Bloomberg News survey of 31 economists was 1.3 percent. On the month, prices were unchanged for the first time in a September since records began in 1996

Retail Sales in the U.S. in September Drop Less Than Forecast

Oct. 14 (Bloomberg) Sales at U.S. retailers fell less than anticipated in September, a sign households will play a greater role in the emerging economic recovery. The 1.5 percent decrease in purchases followed a 2.2 percent gain the prior month, figures from the Commerce Department showed today in Washington. Sales excluding automobiles climbed 0.5 percent, more than the median

forecast of economists surveyed by Bloomberg News. The broad-based improvement indicates Americans are becoming more confident that the economy is recovering even as job losses persist. The report helps ease concern consumers will retrench as government stimulus, such as the "cash-for-clunkers" plan, fades and joblessness mounts.

U.S. Michigan Sentiment Index Decreased to 69.4

Oct. 16 (Bloomberg) Confidence among U.S. consumers fell more than forecast in October, a reminder that households remain nervous about the strength of the emerging economic recovery. The Reuters/University of Michigan preliminary index of consumer sentiment decreased to 69.4 from 73.5 in September, which was the highest in more than a year. Measures of expectations for six months ahead and current conditions both fell. The index averaged 87.3 in 12 months leading to December 2007, when the recession began. The highest unemployment rate in 26 years threatens to restrain consumer spending as the U.S. enters the Christmas-holiday shopping period. Minutes from last month's Federal Reserve meeting show policy makers are still concerned that rising unemployment will curb consumer spending and lead to an anemic recovery.

U.S. Production Gain Beats Forecasts, Confidence Slips

Oct. 16 (Bloomberg) Industrial production in the U.S. rose more than anticipated in September, putting manufacturing at the forefront of the emerging economic recovery. The 0.7 percent increase in production at factories, mines and utilities exceeded every forecast of economists surveyed by Bloomberg News and followed gains of 1.2 percent in August and 0.9 percent in July, Federal Reserve figures showed today. Another report showed consumer sentiment dropped more than projected this month. The recent burst of activity on factory floors, spurred in part by a rebound at automakers, will likely give way to more moderate and sustainable gains in coming months as companies rebuild inventories and exports grow. The improvement has yet to generate jobs, one reason consumers remain anxious and underscoring why Fed policy makers say they will keep interest rates low for a long time.

U.S. Budget Deficit Widened to Record \$1.42 Trillion in 2009

Oct. 16 (Bloomberg) The U.S. government's annual budget deficit widened to a record \$1.42 trillion as the deepest recession since the 1930s crippled tax revenue and the administration increased spending to rescue the economy. The shortfall for the 12 months ended Sept. 30 was more than triple the \$455 billion record set a year earlier, the Treasury Department said today in Washington.

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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