NCB CAPITAL MARKETS LIMITED

Annya Walker
AVP Research,
Strategic Planning
& Projects

Simone Hudson
Senior Research
Analyst
Tel: 935-2585
hudsonsg@jncb.com

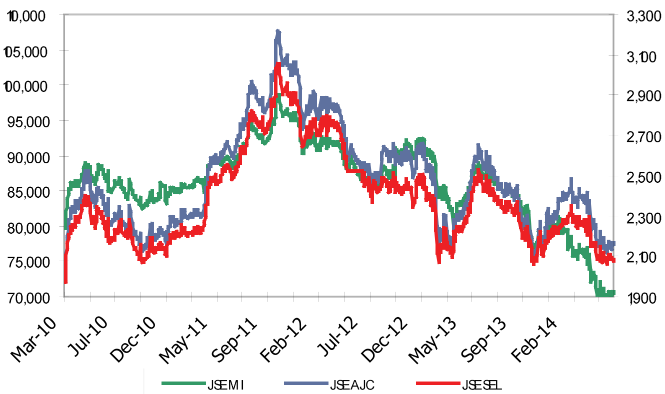
Shellon Williams
Research Analyst
Tel: 935-2749
williamssp@jncb.com

Shaneka Wynter
Research Analyst
Tel: 935-2763
wyntersy@jncb.com

Weekly Market GUIDE

December 1 2014

Jamaican Stock Market



Weekly Movement in Indices

Indices	Closing Levels	Change
JSE Combined Index	76,319.95	-183.96
JSE Market Index	74,338.49	-282.67
All Jamaican Composite	81,832.09	-316.06
Jamaica Select Index	2,185.73	-17.83
JSE Cross Listed Index	585.90	-

Most Active Stocks

GK	9,597,025	20.53%
LASM	9,476,090	20.28%
DG	9,398,349	20.11%

Top Winners & Losers This Week

	$ Change	% Change
Winner:CPJ	$0.20	10.00%
Winner:PROVEN 8%	$0.50	10.00%
Loser:PAL	-$11.00	-14.29%
Loser:BPOW	-$0.75	-11.03%

SGJ's Earnings Decline 7%

Scotia Group Jamaica Limited (SGJ) closed FY2013/14 with earnings of $10,118Mn (EPS:$3.14) which represented a decrease of $774Mn or 7% when compared to the previous year. SGJ underperformed relative to its closest competitor NCBJ which reported earnings of $11,642Mn, up 36% over the prior year. NCBJ has regained its position as the most profitable bank in Jamaica and the largest in terms of total asset base. NCBJ also posted healthier profitability metrics such as return on equity (ROE) at 15.3% relative to SGJ's ROE of 13.41%.

The challenges experienced by SGJ were seen particularly in the first half of the year where earnings lagged by 11%. The group was unable to fully recover even after a more healthy second half performance. For the twelve month period net interest income (NII) after impairment losses stood at $22,907Mn, an increase of $57Mn. SGJ reported growth in loan volumes during the year (+8.0%), particularly for residential mortgages, SME and commercial portfolios. This resulted in an increase in NII of 3%. Impairment losses on loans, increased by $590Mn reflecting the challenges by some customers in making good on their loan commitments. Other revenue for the financial year amounted to $10,926Mn, a reduction of 4% compared to 2013. Net fee and commission income remained stable year over year, despite the growth in loan and transaction volumes. Net gains on foreign currency activities decreased, while net gains on financial assets increased by $520Mn based on treasury trading activities.

Productivity ratio, a key measure of cost efficiency, deteriorated to 61.48% for 2014, compared to 58.63% in FY2012/13.This came as result of higher operating expenses, particularly due to growth in salaries and staff benefits and higher asset tax burden.

SGJ is currently trading at a price to book of 0.82X and a P/E of 6.3X. Despite relatively weak earnings throughout the financial year the stock price increased steadily. However with conclusive result that SGJ earnings fell significantly behind its main competitor, it is likely that this could limit further price increases.

Lower Operating Revenues Weigh on Scotia Investments' 2014 Performance

Scotia Investments Jamaica Ltd (SIJL) reported a net profit of $1.8Bn for the financial year ended October 31, 2014. This represents a 10.3% decline in earnings when compared to the corresponding 2013 period and is largest decline in earnings since 2010. SIJL continues to adhere to its strategy to change the structure of its operating revenues with less dependence on net interest income. As such, net interest income currently accounts for only 54.9% of total revenues compared to 75.4% six years ago (2008). Lower investment yields resulted in net interest income after impairment declining by 18.5% to $2.3Bn. Despite registering a $20Mn increase in net fee and commission income to $953.5Mn and adding $352.1Mn to net gains on financial assets, total operating income still underperformed relative to 2013's outturn. Total operating income was $4.17Bn, a 6.3% reduction. As SIJL registered lower income, its management engaged in robust cost saving initiatives. Consequently, total operating expenses were $33.5Mn lower than last year's. Nevertheless, a lower revenue base led to a 3 percentage point increase in the cost-to-income ratio (productivity ratio) to 38.9%. As a result of the decline in earnings, return on equity fell from 16.6% in 2013 to 13.6% in 2014.

Though SIJL has registered growth in its off balance sheet funds over the financial year, the rate of growth has slowed due to increased competition. As other investment houses execute similar strategies in an attempt to diversify revenues, there will be intense competition in both the unit trust and mutual funds market segments which will impede growth in SIJL's market share. Already, Sagicor has a strong lead in the unit trust market and is widening its lead. Given the significant decline in net interest income, SIJL will have to devise new strategies, while focusing on delivering strong returns in order to grow its Unit Trust Assets Under Management as well as non-interest income.

At its current price of $22.50, trailing P/E is 5.32X while P/B is 0.70X.

Strong Remittances Outturn for the January to July 2014 Period

Net remittances in July stood at US$160.5Mn, an increase of US$10.9Mn or 7.3% relative to the corresponding period in 2013. The growth in net remittances reflected an increase in remittance inflows, which was tempered by growth in remittance outflows. Remittance inflows for the month were US$183.2Mn (+7.4%), and were above the average of US$167.7Mn for the previous five corresponding periods. As at the half year mark, cumulative net remittances were US$1,109.4Mn, an increase of 5.8% relative to last year. This was primarily due to robust growth in total net inflows which was the highest the country has recorded in over a decade. This, coupled with a 9.3% reduction in year-to-date remittance outflow supported the strong net remittance outturn.

The improvement in the economies of major source countries has benefitted remittance inflows. The US, which has seen its unemployment rate at a 2 year low, has been the primary source of robust growth over the past six months and is expected to drive inflows as its economy and job market improves. Meanwhile, Canada is steadily on the rebound and is likely to help drive future growth in inflows.

JMD Money Market

JMD market liquidity levels received a boost at the end of the week from the maturity of the BOJ USD Indexed Note 2014D (J$8.3B) on Friday, November 28, 2014. In anticipation of this, the Bank of Jamaica (BOJ) issued a 1-year and 2-year VR CD on Tuesday, November 25, 2014. The instruments are scheduled to close on Monday, December 1, 2014 and at the trading of Friday, had a participation level of J$3.3B. Broker market rates fell off slightly at the end of the last week due to the improvement in market liquidity conditions.

The Bank of Jamaica announced its offer of a 4-year, 5-year and 7-year USD CD on Friday. The instruments are scheduled to open on December 1, 2014 and have coupons of 4.00%, 4.75% and 5.50%, respectively. USD market liquidity levels were moderate last week with broker market rates remaining stable.

Foreign Exchange Market

Selling	Close: 21/11/14	Close: 28/11/14	Change
J$/US$1	113.39	113.56	+$0.17
J$/CDN$1	100.42	99.66	-$0.76
J$/GBP£1	177.41	178.19	+$0.78

Low USD inflows remain a feature of the FX market while demand was moderate across all sectors. Broker rates ranged between 113.40 and 113.75. On Friday the dollar closed at a weighted average selling rate of J$113.56:US$1.00.

GOJ Globals

Jaman global activity was limited this week as the Thanksgiving holiday restricted trading to 3 days. The Jaman 25N dominated trading with trades being executed at 107.55. There were bids on 15s at 102.50, 17s at 114, while there were offers on 39s at 103. Trading in JMD denominated bond was restricted to retail size volumes.

Indicative Levels - GOJ Globals

	Bid	Offer	Offer Yield*
2015	102.500	104.500	0.28%
2017	115.000	116.000	4.00%
2019	108.250	110.250	4.83%
2022	125.000	127.000	6.79%
2025	116.000	118.000	6.875
2036	106.500	108.500	7.68%
2039	102.500	103.500	7.67%

International News

Annual inflation in the euro zone cooled to 0.3% in November as energy prices fell, suggesting deflation remains a real threat for the European Central Bank. The reading on November 28th marked a return to September's five-year low for consumer inflation. German data this week showed inflation in the biggest euro zone economy at its lowest in nearly five years. The November euro zone figure compared to 0.4% in October. Consumer inflation has not been at the ECB's target level of close to 2% since the start of 2013 and has been falling since late 2011 when it peaked at 3%. The ECB considers anything below 1% to be in its "danger zone" and the bank may be forced to take more radical steps to prevent deflation. Deflation also hurts demand because consumers generally stop spending as they expect prices to fall further, pushing the economy into a deeper downward spiral. The ECB is buying covered bonds and asset-backed securities and despite German resistance may decide as soon as the first quarter of next year to begin buying sovereign bonds, as Britain, the United States and Japan have done. Friday's inflation number alone may not bring such a quantitative easing program any closer, however.

Oil prices have been dropping sharply over the past three months, but on November 28, prices went into serious freefall following an OPEC meeting. OPEC is a cartel of oil producers that includes Saudi Arabia, Iran, Iraq, and Venezuela. Before the gathering, there was speculation that OPEC countries might cut back on their own oil production in order to prop up prices. But in the end, the cartel couldn't agree on how to respond. Oil prices promptly nosedived, with the price of Brent crude now hovering around $70 per barrel. This is a risky stand-off for OPEC, as many of its member countries such as Venezuela require high oil prices to balance their budgets. A sustained falloff in oil prices will have significant implications for countries such as Venezuela, which is already undergoing economic challenges.

Manufacturing in U.S. Grew More Than Projected in November

Manufacturing in the U.S. expanded in November at a faster pace than projected, signaling the world's largest economy is rising above a global slowdown.

The Institute for Supply Management's factory index was little changed at 58.7 last month, the second-strongest level since April 2011, compared with 59 in October, the Tempe, Arizona-based group's reported today. It exceeded the median fore-

*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.

cast of 80 economists surveyed by Bloomberg and readings greater than 50 indicate growth.

Orders over the past four months have been the strongest in a decade as growing demand from American consumers makes up for any letdown among foreign customers. Continued progress in the labor market and the plunge in gasoline prices may give Americans an even greater ability to spend in coming months, supporting manufacturing as the year draws to a close.

"Whatever is happening abroad, this sector seems to be shrugging it off," said Guy Berger, a U.S. economist at RBS Securities Inc. in Stamford, Connecticut, who projected a reading of 58.5. "There's always the worry that the weakness in growth abroad eventually starts filtering into it but right now it's not really obvious."

The median estimate in a Bloomberg survey of economists called for a decline to 58. Projections ranged from 54.5 to 61. Manufacturing accounts for about 12 percent of the economy.

Stocks fell, sending the benchmark indexes lower for a second day, as data showed Chinese manufacturing slowed last month while fewer shoppers showed up for Black Friday sales events. The Standard & Poor's 500 Index declined 0.5 percent to 2,056.83 at 10:32 a.m. in New York.

Global Manufacturing

American producers keep powering ahead at the same time their global competitors slow. Factories in Germany, France and Italy unexpectedly shrank last month, according to purchasing managers' gauges. An index of Chinese manufacturing fell as mandatory plant shutdowns during the Asia-Pacific Economic Cooperation forum aggravated a pullback in the economy.

One standout internationally was the U.K., where manufacturing growth unexpectedly accelerated in November to the fastest pace in four months as domestic demand strengthened.

The U.S. ISM's orders index climbed to 66 from 65.8 in October. The 64.6 average over the past four months is the highest for a similar period since early 2004.

Even exports showed improvement, with the gauge advancing to 55 from 51.5 in October.

Order Backlogs

ECB's First ABS Purchases Show Caution as Further Steps Debated

The European Central Bank signaled that it'll be cautious as it buys asset-backed securities for the first time in its latest stimulus measure for the euro area.

The ECB settled 368 million euros ($460 million) of ABS purchases in the first week of operations through Nov. 28, data published on its website showed today. That's dwarfed by the 5.1 billion euros of covered-bond purchases settled by the central bank last week.

Policy makers will meet on Dec. 4 to discuss whether current measures to flood the currency bloc with liquidity are enough to prevent a deflationary spiral that could wreck the economy. While some officials have said time is needed to assess the impact of existing stimulus, the Governing Council has told staff to prepare further measures to be used if needed, including large-scale government-bond buying.

"If you compare these numbers with the covered-bond purchases they look limited and there is definitely no bazooka," said Aaron Baker, a London-based analyst at Banco Bilbao Vizcaya Argentaria SA. "There was a limited supply of new deals last week and it is unlikely the ECB will source substantially more ABS until the new year given the limited timeframe before the market's seasonal shut down."

The ECB has said it expects its balance sheet to rise toward early-2012 levels -- suggesting an expansion of as much as 1 trillion euros -- because of the asset purchases and a series of long-term loans to banks.

Guarantees Needed

Covered-bond purchases started on Oct. 20 and in the first week the central bank spent 1.7 billion euros acquiring securities from Portugal to Germany. Outstanding purchases totaled 17.8 billion euros as of Nov. 28, today's data showed.

The ABS-purchase program started on Nov. 21, when the central bank bought Dutch residential mortgage-backed securities. The ECB has said it will buy only senior tranches of the packaged debt, with the option of expanding into riskier mezzanine tranches if these are guaranteed by governments. Vice President Vitor Constancio said in October that there are about 400 billion euros of ABS eligible for purchases.

Banks create asset-backed securities by bundling individual loans such as mortgages, auto credit and credit-card debt.

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.

Important Disclosures: