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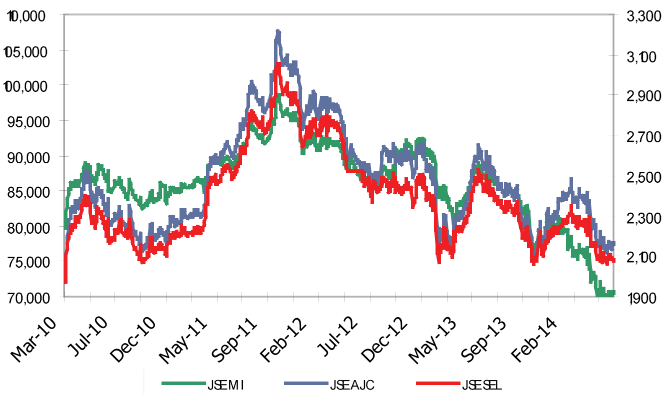
Jamaican Stock Market



Weekly Movement in Indices

Indices	Closing Levels	Change
JSE Combined Index	77,152.08	+832.13
JSE Market Index	75,366.92	+1,028.43
All Jamaican Composite	82,982.00	+1,149.93
Jamaica Select Index	2,209.35	+23.62
JSE Cross Listed Index	585.90	-

Most Active Stocks

JMMB 8.75%	2,672,399	22.51%
GK	2,028,275	17.08%
DG	1,029,970	8.68%

Top Winners & Losers This Week

	$ Change	% Change
Winner:PANJAM	$4.58	9.03%
Winner:SVL	$0.12	6.56%
Loser:AFS	-$1.01	-10.09%
Loser:DCOVE	-$0.27	-3.07%

Supreme Ventures Limited (SVL) Closes Odyssey Gaming Lounge

SVL recently announced plans for consolidation of its gaming lounge operations. The company will now focus on the flagship gaming lounge, Acropolis Barbican, with enhancements to the Video Lottery Terminal (VLT) offerings on the gaming floor and will increase promotions and hospitality activities for gamers. In light of the new focus, SVL will now close its operations at Odyssey Gaming Lounge at Market Place in Kingston and the Castle Gaming Lounge VLT operations, in Portmore. The closure of Odyssey Gaming Lounge comes less than 2years after it partnered with the KLE Group - operators of Usain Bolt's Tracks & Records and Fiction Lounge, to manage that particular operation. The decision to open Odyssey in early 2013 was a part of SVL's strategic plan for continued expansion in the gaming industry. The current move to consolidate in less than two years after opening is of concern as it would suggest an unclear strategic objective and possibly an erosion of shareholder value as funds could have been deployed more efficiently. In SVL's nine-month to September 2014 financial performance, VLT operations generated $313Mn in revenue, which represented a decline of $75.96M when compared to the corresponding period in 2013. Given the realities of the Gaming industry, the company does not have a positive outlook for eliminating the losses at the Odyssey and Castle gaming lounges.

Inflation Outturn- October

According to the Statistical Institute of Jamaica the inflation rate for October was 0.1%. The main contributors to this movement were the 0.2% increase in the index for the division 'Food and Non-Alcoholic Beverages' and the 0.3% increase in 'Housing, Water, Electricity, Gas and Other Fuels'. This increase in the index for the latter division was mainly as a result of higher water and sewerage charges in October. The decline in the index for the division 'Transport' of 0.8% moderated the effect of these increases. The 'Transport' division index fell as a result of the decline in the cost of air fares, as well as the price of fuel. We expect that the inflation rate in ensuing months will continue to moderate given the decline in the Transport division due to lower fuel prices.

The movement in the index for October resulted in a calendar year-to-date inflation of 7.3% and a fiscal year-to-date of 5.5%. The point-to-point inflation rate stood at 8.2%.

More Robust Remittance Outturn for August 2014

Remittance inflows continue to reach new highs. For both the month of August 2014 and the eight (8) month period from January – August 2014, inflows hit a 10 year high. Total Remittance Inflows for the month of August was US$183.9Mn, a 3.5% increase when compared to August last year. Meanwhile, outflow for the month fell by 2.9%. As such, net remittances climbed by US$6.8Mn to US$162.3Mn. Net Remittances for January – August 2014 were US$1,271.6Mn, a 5.6% increase when compared to the same period last year. This growth reflected an increase in gross inflows and a contraction in outflows. Continued strengthening of the economies of the source countries helped to support strong inflows. Remittances from the US saw the highest jump among the source countries. Improvements in labour statistics of source countries such as the US and UK and increased consumer spending in the US and Canada resulted in higher employment numbers in the Retail and hospitality & Restaurant industries which often times employs people from the diaspora.

Net International Reserves Decline Slightly in November 2014

Net International Reserves at the end of November was US$2,005.04Mn. Despite a 15.9% decline in foreign liabilities, the falloff in securities and special drawdown rights resulted in lower month-over-month NIR. The country's Reserves declined by US$2.17Mn from US$2,007.21Mn at the end October. At current exchange rates, this amount represents enough reserves to purchase 24.89 weeks of Goods Imports and 17.61 weeks of Goods & Services Imports based on the estimated value of imports for the 2014/2015 fiscal year.

JMD Money Market

The Bank of Jamaica (BOJ) closed its issue of a 1-year and 2-year VR CD on Monday, December 1, 2014. The instruments both had an initial coupon of 8.00% set to re-price quarterly on the 90-day Treasury Bill. Combined participation was J$3.9B. JMD market liquidity levels remained stable last week with no notable change in market rates.

BOJ issued another round of USD CDs on Monday, December 1, 2014. The 4-year, 5-year and 7-year CDs issued had coupons of 4.00%, 4.75% and 5.50%, respectively. The instrument closed on Friday, December 5th with a total take-up of $34.1M. USD market liquidity levels continue to be moderate.

Foreign Exchange Market

Selling	Close: 28/11/14	Close: 05/12/14	Change
J$/US$1	113.56	113.79	+$0.23
J$/CDN$1	99.66	99.55	-$0.11
J$/GBP£1	178.19	177.72	-$0.47

Low USD inflows remain a feature of the FX market while demand was strong across all sectors. Broker rates ranged between 113.85 and 114.00. On Friday the dollar closed at a weighted average selling rate of J$113.79:US$1.00, a $0.23 depreciation over last week.

GOJ Globals

Global bond trading activity was once again dominated by the 25N which traded at 107.50 while the 19s, which were almost as active, traded at 108.35. There were also trades on 39s at 103.50 and NROCC at 110. Trading in local currency bonds was limited to retail volumes.

Indicative Levels - GOJ Globals

	Bid	Offer	Offer Yield*
2015	102.500	104.000	0.70%
2017	115.500	116.500	3.74%
2019	108.500	110.500	4.73%
2022	125.250	127.250	6.73%
2025	107.500	109.000	6.35%
2036	107.000	109.000	7.63%
2039	103.000	104.000	7.63%

International News

The US Labor Department reported that the unemployment rate for November remained unchanged from last month at 5.8%, however employers added 321,000 jobs — a much stronger number than expected — but perhaps even more significant was the biggest gain in average hourly earnings since June 2013. Hourly earnings rose by 0.4% in November, which was twice the amount that economists had been expecting. The pickup in wage growth is coming as gasoline prices are plunging, providing a double gain for consumers and retailers with the holiday shopping season underway. For the year as a whole, the gain in jobs, with one month still to go, is shaping up as the best in 15 years. The growing labor market strength makes it more likely the Federal Reserve will start raising short-term interest rates sooner rather than later. Most economists expect the central bank to increase interest rates in mid-2015, after leaving them near zero since the depths of the financial crisis in late 2008.

Although the prospect of higher interest rates tends to make investors more cautious, Wall Street rallied on December 5th, with traders figuring a better job market and better-paid consumers would outweigh whatever cooling effect higher borrowing rates could have. In midday trading, major market indices were up about 0.4%.

ECB Slows Asset Purchases Even Amid Draghi Balance-Sheet Pledge

The European Central Bank slowed asset purchases last week, underlining the challenge for policy makers trying to expand the institution's balance sheet.

The ECB settled 233 million euros ($286 million) of asset-backed-securities purchases in the week ended Dec. 5, after spending 368 million euros in the first week of the program. The Frankfurt-based central bank also bought 3.126 billion euros of covered bonds, down from 5.078 billion euros the previous week.

ECB President Mario Draghi has held out the prospect of yet more stimulus to boost the balance sheet when policy makers review current measures early next year. The ECB is preparing broad-based asset purchases, including government bonds, with any decision at its Jan. 22 meeting linked to incoming information, two officials said.

A key piece of data for policy makers' deliberations will be

*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.

demand this week for a second round of long-term loans aimed at boosting credit to the real economy. Analysts in a Bloomberg News survey predict a take-up of 148 billion euros, according to the median of 24 estimates. An initial offer in September injected 82.6 billion euros, less than economists forecast.

Since the ECB started asset purchases in October, it has spent a total of 21.528 billion euros. It bought 20.927 billion euros of covered bonds and 601 million euros of ABS.

Don't Count on Oil Drop Greasing Global Growth

The declining price of crude oil may no longer grease the wheels of the world economy as much as it once did -- and as much as International Monetary Fund Managing Director Christine Lagarde expects.

Recent history even may be on the side of contrarians like Fatih Yilmaz from London-based hedge fund SLJ Macro Partners LLP. On top of that, advances in energy efficiency and interest rates already at zero are likely to weaken the potential ripple effects of the 37 percent plunge in Brent crude this year.

Between 1970 and 2000, a 20 percent decline in oil typically added 0.25 point to worldwide GDP in the subsequent 20 months, his analysis showed. Since 2000, however, that relationship has broken down with the initial impact of an oil drop on GDP actually negative. It turns positive after a year and then fades.

That's in contrast to Lagarde's expectation that a 30 percent drop in the price of crude translates into a 0.8 percentage point boost for most advanced countries. Likewise, JPMorgan Chase & Co. estimates global growth is poised to enjoy a 0.7 point boost over two quarters, while Societe Generale SA estimates a 0.3 point lift after a year.

BOE Looks Beyond Rate Guidance in U.K. Bank Stress Test

The Bank of England is willing to put aside its own forward guidance to determine how well the country's eight largest lenders would fare in a crisis.

Governor Mark Carney has said rate increases from the current record-low 0.5 percent are likely to be gradual and the peak in rates lower than in previous cycles. Yet in its stress test of the U.K.'s eight largest banks, the BOE assumes an increase to 4 percent by the end of 2015.

"You could argue that going to 4 percent is against their own policy," said Charles Goodhart, a former member of the Bank of England's Monetary Policy Committee and a professor at the London School of Economics. "I think it's actually quite courageous, and better than the ECB did, to include in the scenario a feature which in some sense is against their current policy."

The BOE scenario will examine whether U.K. lenders could survive the interest-rate spike coupled with an economic and financial catastrophe so severe that it's only happened once in the last 150 years. How they fare will be revealed on Dec. 16.

The BOE tests will be the first in Europe to factor in monetary policy actions. The European Banking Authority and European Central Bank were criticized for failing to include deflation in the scenarios for their joint stress test in October. The ECB test uncovered capital shortfalls totaling 25 billion euros ($30.7 billion) at 25 euro-area banks, all but eight of which had already plugged the gaps or satisfied the ECB with plans to shrink.
House Prices

The EBA-ECB stress test subjected banks to a 21.2 percent drop in house prices over three years coupled with a growth rate 7 percentage points below the European Commission's forecasts. The test's adverse scenario developed by the European Systemic Risk Board, an independent EU agency, didn't include a rate increase and was intended be to "relevant and consistent" across the 28-nation bloc.

U.S. stress tests don't directly factor in monetary policy moves. While the Federal Reserve doesn't list the federal funds rate among the six interest-rate measures in its 2015 scenario, it includes the prime rate, which is based on the fed funds rate.

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