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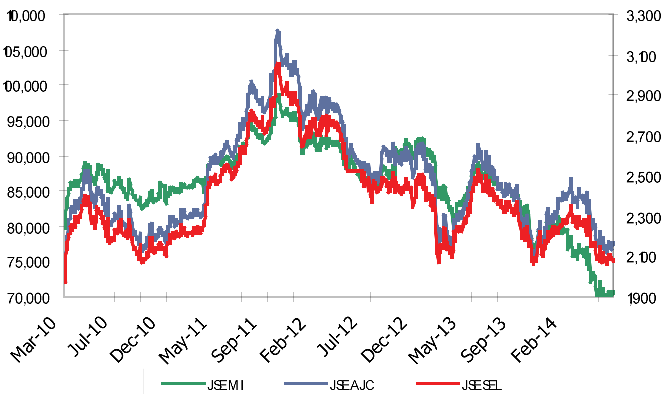
Jamaican Stock Market



Weekly Movement in Indices

Indices	Closing Levels	Change
JSE Combined Index	78,482.49	+158.80
JSE Market Index	76,573.85	+240.31
All Jamaican Composite	84,331.43	+268.69
Jamaica Select Index	2,256.24	+10.53
JSE Cross Listed Index	585.90	-

Most Active Stocks

NCBJ	5,306,767	24.21%
KREMI	4,078,695	18.61%
LIME	4,008,166	18.29%

Top Winners & Losers This Week

	$ Change	% Change
Winner:HBUN	$0.20	+11.70%
Winner:SVL	$0.22	+12.36%
Loser:JAMT	-$0.25	-8.77%
Loser:PANJAM	-$3.84	-6.87%

Balance of Payment-September 2014

For the September 2014 quarter, there was a current account deficit of US$324.3Mn, representing an improvement of US$1.9Mn relative to the corresponding period in 2013. The improved outturn for the review period emanated from the Goods & Services and Secondary Income sub-accounts. The narrowing of the deficit in the Goods & Services account came as as a result of the larger increase in exports relative to imports. The quarter saw exports growing by US$53.7Mn to US$373.4Mn, primarily as a result of an increase in the exports of crude materials, in particular Alumina, and increase in the export of food. Imports increased by US$37.3Mn driven by increases in Mineral Fuel and Chemical imports, but was partially offset by a decrease in food imports, particularly reported in cereal and cereal preparations.

During the quarter the current account balance received added support from the secondary income cub-account, which represents Current Transfers between residents and non-residents. Relative to the corresponding period in 2013, the balance on the Secondary Income sub-account rose by 6.7%to US$580.1Mn. The improvement primarily resulted from a US$32.4Mn increase in personal transfers.

Despite the narrowing of the deficit in the September quarter, the current account outturn for the fiscal year to September was less favorable.The balance for April to September 2014/15 deteriorated by US$85.6Mn to a deficit of US$649.6Mn, relative to the previous corresponding period. The outturn for the review period resulted primarily from deteriorations in the Goods & Services and Primary Income sub-accounts which were partially offset by the improvement in the Secondary Income account.

Caribbean Cream Limited (KREMI)- The "Kream" of the crop

For the nine month period to September Kremi reported an 8.0% increase in earnings to $31.0Mn (EPS:$0.08) which reflected growth in its top-line. Revenues for the period grew by 22.0%, and 26% during the quarter, which bore the effect of increased brand penetration, growth of its new retail line of ice cream products and also improved performance in its bulk market segment. With revenues growing at a faster pace relative to direct costs, Kremi's gross profit margin widened to 27% from 23% in the corresponding prior year period.

Operating costs stood at $156.0Mn, up 62% over the previous year. The marked increase in operating costs has been largely attributable to higher marketing expenses as the company builds brand recognition and penetrates it target segments. It is not uncommon for companies within the growth phase to incur significant costs, however what will be critical is the Kremi's ability to translate this into sustained growth in top-line and meaningful return on capital.

Knutsford Express "Drives" Higher Profits in H1

Knutsford Express Services Ltd (KEX) reported an impressive 58.4% increase in net profit to $29.4Mn (EPS: $0.29) for the six month period ended November 2014. The company's marketing strategy and growing popularity have resulted in an increase in passenger travel. This resulted in revenues moving up by $70.4Mn to $206.9Mn at the half year mark of its 2014/15 financial year (H1 FY2014/15). However, higher staff costs and infrastructural improvements, resulted in a significant increase in administrative and general expenses as well. Consequently, operating costs were 54.8% higher than the corresponding 2013 period and ended at $174Mn. The increase in expenses eroded KEX's operating margin. The company's core operating margin declined from 21% in H1 2013 to 15.9% in H1 2014. However net profit margin gained from an increase in net finance income and KEX's tax benefit as a result of it being listed on the Junior Market. That said, net profit margin increased from by 60 basis points to 14.2%.

We anticipate that KEX will continue to register revenue growth for the rest of the financial year. The increase in passenger travel during the holiday period and the increase in market presence augur well for the company going forward. Additionally, KEX's burgeoning courier services is a key value added product that is poised to drive sales. As a company in the growth stage, operating costs are expected to increase in line with expansion efforts. However, the company must ensure that cost increases are kept at minimal levels in order to drive efficiencies and prevent significant erosion in margins. Further erosion in margins could threaten the company's viability.

JMD Money Market

The Bank of Jamaica (BOJ) 30-day Treasury Bill Auction, which took place on January 14, 2015, saw a decline in the weighted average yield of 8bps to 6.30%. BOJ also closed its issue of a 1-year and 2-year VR CD on January 13, 2015. The instruments, which had initial coupons of 7.21% and 7.75%, respectively had a combined take-up of J$2.3B.

Market liquidity levels received a slight boost last week with interest inflows from the GOJ 2018 and 2023 VRs along with the GOJ 2019 FR BMIs. Liquidity conditions are not expected change considerably in this week.

The Central Bank has also had a 4-, 5- and 7-year CD on offer since January 9, 2015. The instruments had total participation of US$29.7M at the end of trading on Friday and are scheduled to close on Monday, January 19, 2015. USD market liquidity levels continue to be stable despite the participation level of the CD and are expected to remain unchanged this week.

Foreign Exchange Market

Selling	Close: 09/01/15	Close: 16/01/15	Change
J$/US$1	114.95	115.31	-$0.36
J$/CDN$1	96.97	97.86	-$0.89
J$/GBP£1	173.07	176.12	-$3.05

The BOJ intervened in the market on January 15th given the continued slippage of the local currency. The Central Bank intervened at a rate of $115.14 for unrestricted resale. Month to date the dollar has depreciated by $0.53. Last week the BOJ increased the surrender requirement for brokers from 25% to 30%. This means that, 30% of all purchases of foreign currencies made by brokers from the commercial market will now have to be resold to the BOJ. The increase in the requirement will have the effect of limiting the amount of foreign currency that brokers will have to sell to end users. The expected tightness could have the effect of placing further pressures on the greenback. On Friday the dollar closed at a weighted average selling rate of 115.31.

GOJ Globals

Jaman global bond trading activity was fairly robust last week with the 25N dominating proceedings. There were also trades on 17s at 115.85 and the week closed with buyers of 19s at 108.25 and 25N at 106.85. Trading in JMD bonds was limited to retail volumes.

Indicative Levels - GOJ Globals

	Bid	Offer	Offer Yield*
2015	102.000	103.000	0.73%
2017	115.250	116.750	3.34%
2019	108.250	110.250	4.71%
2022	125.000	127.000	6.72%
2025	115.500	117.500	6.91%
2036	106.750	108.750	7.66%
2039	101.625	103.625	7.66%

International News

Moody's Investors Service has today downgraded Russia's government bond rating to Baa3/Prime 3 (P-3) from Baa2/Prime 2 (P-2). The rating was also placed on review for further downgrade. The key drivers behind the downgrade are: expectation that the substantial oil price and exchange rate shock will further undermine the country's already subdued growth prospects over the medium term; and nearer-term concerns over the negative impact on the government's financial strength and the erosion in official foreign exchange buffers and fiscal revenues. In the review for further downgrade, Moody's will assess the resiliency of the government's balance sheet, in particular its foreign currency reserves cushion, to both the rating agency's baseline forecast for oil prices and to the risk of a further decline in oil prices at a time when international market access is restricted for Russian borrowers due to sanctions.

The government's ability to sustain its financial strength, which is the main factor supporting the country's investment grade rating, rests on a large number of assumptions regarding, for example: oil prices and the exchange rate; the longevity of sanctions; capital flows; the effect of import compression on the current account balance; the impact of recession and inflation on the government's fiscal position; and the policy response to domestic or external financial pressures. Small changes in assumptions could imply a more severe decline of reserves and a more rapid accumulation of debt by the government.

The Swiss franc soared nearly 28% against the dollar on Thursday after Switzerland's central bank discontinued its three-year-old cap on the franc's value against the euro, sending shockwaves through currency markets and pummeling traders who had bet against the franc. The euro plunged as much as 30% below the 1.20 cap to a record low of 0.8500 francs per euro at one point before bouncing off its session low. The dollar plummeted to 0.736 francs, its lowest since 2011, before also paring losses. The Swiss National Bank has been resisting pressure for months to abandon the cap it imposed on the franc when investors picked it as their haven of choice in 2010 and 2011 from the euro zone's economic and political troubles. Switzerland is a heavily export-oriented economy, the SNB was fearful that a too-strong franc would undermine economic growth.

*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.

European Stocks Rise Third Day Amid Expectations of ECB Stimulus

European stocks advanced for a third day, extending their highest level since 2008, amid investor expectations the European Central Bank will announce a plan for quantitative easing this week.

The StoxxEurope 600 Index added 0.2 percent to 353.18 at the close of trading. The equity gauge pared gains in the final hour after earlier increasing as much as 0.7 percent. Stocks climbed to a 7-year high on Friday as rising oil producers outweighed a slump in Swiss shares. Switzerland's SMI Index rebounded 3.2 percent today after posting its worst week since 2008 following the Swiss National Bank's surprise move to end a cap on the franc.

"Expectations of more liquidity measures from the ECB have spurred European markets higher," said Guillermo Hernandez Sampere, who helps manage about 150 million euros ($174 million) at MPPM EK in Eppstein, Germany. "The market is waiting for Thursday's ECB decision and how big the QE program will be. MrDraghi's fight against deflation will open the next chapter."

Italian Banks

Italian lenders rose as officials familiar with the matter said the government is drafting legislation to force the country's largest cooperative banks to become joint-stock companies to improve their governance.

BancoPopolare SC (BP), Italy's fourth-largest lender, rose 8.3 percent, BancaPopolare di Milano Scarl jumped 15 percent, and BancaPopolaredell'Emilia Romagna SC climbed 8.5 percent.

Schindler Holdings AG added 3 percent after raising its profit estimate for 2014 to about 900 million francs ($1.04 billion) from as much as 865 million francs previously.
Telefonica SA rose 2.3 percent. Hutchison Whampoa Ltd. (13) is exploring a purchase of the Spanish company's wireless unit O2 in the U.K. as billionaire Li Ka-shing's company weighs expansion in Europe, according to people familiar with the matter.

Total SA and BP Plc dragged a measure of energy stocks lower. Oil slid after capping its first weekly gain in two months, as investors weigh rising OPEC output against speculation supply from outside the group will slow.

Bank Losses From Swiss Currency Surprise Seen Mounting

The $400 million of cumulative losses that Citigroup Inc. (C), Deutsche Bank AG and Barclays Plc (BARC) are said to have suffered from the Swiss central bank's decision to end the cap on the franc may be followed by others in coming days.

"The losses will be in the billions -- they are still being tallied," said Mark T. Williams, an executive-in-residence at Boston University specializing in risk management. "They will range from large banks, brokers, hedge funds, mutual funds to currency speculators. There will be ripple effects throughout the financial system."

Citigroup, the world's biggest currencies dealer, lost more than $150 million at its trading desks, a person with knowledge of the matter said last week. Deutsche Bank lost $150 million and Barclays less than $100 million, people familiar with the events said, after the Swiss National Bank scrapped a three-year-old policy of capping its currency against the euro and the franc soared as much as 41 percent that day versus the euro.

Popular Trade

FXCM Inc., the largest U.S. retail foreign-exchange broker, got a $300 million cash infusion from Leucadia National Corp. after warning that client losses threatened its compliance with capital rules. FXCM, which handled $1.4 trillion of trades for individuals last quarter, said it was owed $225 million by customers.

The SNB's move "shocked people all over the world," Timothy Massad, chairman of the U.S. Commodity Futures Trading Commission, said in an interview in Hong Kong. The regulator is "continuously" monitoring the situation, he said.

Shorting the franc was a popular trade and most firms would leverage their positions some 20 times or more, said Williams, who consults for hedge funds. With such leverage a 5 percent move against the position wipes out all the value, yet the trades were seen as relatively low-risk by models used by financial institutions because volatility of the franc was reduced by the SNB's cap, he said.

'Still Gambling'

Citigroup had reported an average total trading value-at-risk, a measure of how much the company could lose in trading in one day, of $105 million in the third quarter, of which $32 million was attributed to foreign-exchange risks. Deutsche Bank (DBK)'s stressed value-at-risk, which measures possible daily losses in market turmoil, averaged 109 million euros ($126 million) in the first nine months, with 27 million euros related to foreign-exchange risks.

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.