NCB CAPITAL MARKETS LIMITED

Weekly Market GUIDE

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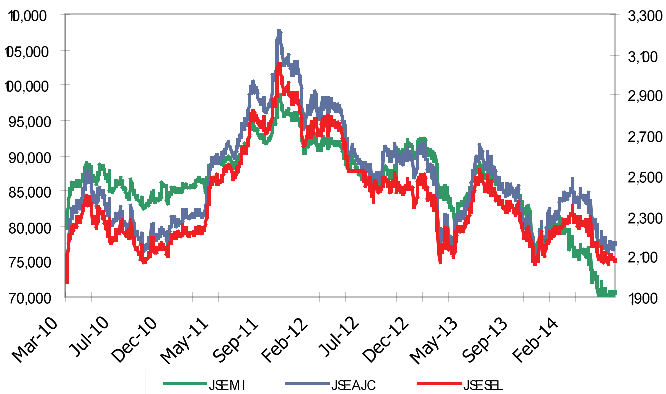
Jamaican Stock Market



Weekly Movement in Indices

Indices	Closing Levels	Change
JSE Combined Index	79,654.74	+1,172.25
JSE Market Index	77,828.04	+1,254.19
All Jamaican Composite	85,733.67	+1,402.24
Jamaica Select Index	2,313.41	+57.17
JSE Cross Listed Index	585.90	-

Most Active Stocks

JMMB 7.50%	3,261,186	29.59%
LIME	1,472,342	13.36%
DG	1,067,028	9.68%

Top Winners & Losers This Week

	$ Change	% Change
Winner:PTL	$0.49	+17.75%
Winner:SGJ	$1.85	+9.24%
Loser:GLNR	-$0.10	-11.11%
Loser:BRG	-$0.15	-8.82%

Lower Oil Prices send CPI lower in December

Helped primarily by the effects of lower global oil prices as well as continued normalization of crop yields, Consumer prices fell 0.3% in December after the 0.5% drop in the previous month. Data from The Statistical Institute of Jamaica indicated that the Consumer Price Index was at 224.1 at the end of the month. This was largely attributable to the downward movement recorded in the index for the divisions 'Food and Non-Alcoholic Beverages', 'Housing Water, Electricity, Gas and Other Fuels' and 'Transport'. The index for the division 'Food & Non-Alcoholic Beverages' declined by 0.6%, mainly due to lower prices for vegetables as prices continue to normalize following the drought in early 2014. Lower rates for water and sewerage, in addition to a reduction in the cost of electricity were the key factors influencing the division 'Housing, Water, Electricity, Gas and Other Fuels', which moved down by 1.2%. A decrease of 0.4% was recorded for the division 'Transport'. The latter two index movements were influenced by reduction in oil prices on the global market. Inflation closed the calendar year at 6.4% while fiscal year to date inflation stood at 4.6%.

We expect further ease in inflationary impulses in FY2015, primarily as a result of the global falloff in oil prices. However some of these benefits maybe partially offsetby the swift depreciation of the local currency. We expect divisions such as 'Housing Water, Electricity, Gas and Other Fuels' and 'Transport' to post further falloffs in coming months.To this extent inflation for the fiscal year 2014/15 could fall closer to the lower end of BOJ's projected range of 7.0% to 9.0%.

AMG-Q1Results FY2014/15

AMG Packaging & Paper Company Limited closed the first quarter of FY2014/15 with earnings declining by 14.6% to $15.3Mn. The falloff was primarily attributable to higher operating costs, in particular Administrative Expenses due to increased personnel needed for its Human Resource Department which was a requirement of its International Organization for Standardization (ISO) certification. To this extent operating costs totaled $19.3Mn, which was 23.6% higher than the corresponding prior year period. Given the strong increase in costs relative to top-line, the company's net profit margin contracted by 170 basis points to 10.1%.

NCB's Q1 Earnings Decline

National Commercial Bank Jamaica (NCBJ) recorded net profit of $2.1Bn (EPS: $0.87) for the first quarter ended December 2014. This represents a 14.7% decline in earnings when compared to corresponding three month 2013 period. The commercial bank benefited from a 6% increase in its loan portfolio and recorded improvements from both its net interest income and net fees and commissions revenue streams. Net interest income moved up marginally by 2.4% to $6.5Bn. Net fees and commissions saw the largest impact with a 21.9% increase to $2.6Bn. However, the significant movement in operating costs eroded the revenue uptick. In spite of cutting staff costs, NCBJ spent an additional $1.5Bn and ended the quarter with total operating costs of $9.2Bn. The notable increase was largely due to a 53% (or $1.4Bn) increase in other operating expenses. Higher expenditure on asset tax charges, technical, consultancy, and professional services incurred in achieving strategic initiatives, marketing and advertising costs were the primary drivers of this upward movement. Consequently, the cost to income moved from 66.8% in Q1 2013 to 71.4% in 2014. Operating profit increased in all major segment except for Wealth, Asset Management & Investment Banking (down 5.4%), General Insurance (down 13.2%) and Payment Services (down 71.8%). Both the Return on equity and Return on assets ratios are lower than last year's levels. Return on equity declined by 3.3 percentage points to 10.4% while return on average equity fell by 50 basis points to 1.7%. At its current price of $19.43, NCB's trailing P/E was 4.24X while its P/B was 0.59X.

Heavy Costs Outweigh Margaritaville's Revenue Growth

Margaritaville (Trurks) Ltd (MTD) saw a 37.2% drop in its earnings to US$278.5K (EPS: US$0.41) for the six month period ended November 2014. The significant falloff in earnings was primarily due higher operating costs which outpaced the growth in sales. By capatilizing on the 19% increase in passengers entering the port during the six month period, MTL made an additional US$296.3K (+10.8%) in sales and rounded out the half year with US$3Mn in total revenue. Given the sales growth and the containment of cost of goods sold due to the strategic move to continue its Procurement and Logistics rationalization programme, the company's gross profit margin improved by 1.4 percentage points to 73.2%. However, higher administrative expenses, the inclusion of management fees and increased promotional expenses, resulted in total operating costs moving up by 27.6% to US$1.9Mn. Consequently, net profit margin declined to 9.2% from 16.1% in the H1 2013. Improved passenger inflow and the success of promotional activities bode well for the company. However, management will have to address the impact of increasing operating costs in order to support earnings growth and margins.

JMD Money Market

The Government of Jamaica (GOJ) 90-day and 180-day Treasury Bill auctions were held on Wednesday, January 23, 2015. The auction results reflected a decline in the weighted average yield on both instruments. The yield on the 90-day Treasury Bill fell by 7bps to 6.88%, while the yield on the 180-day Treasury Bill fell by 15bps to 6.99%. JMD market liquidity levels remained relatively moderate last week with no significant change in market rates.

The Bank of Jamaica (BOJ) extended its issue of a 4-, 5- and 7-year CD to Tuesday, January 20, 2015 given the US Holiday on Monday, January 19th. The instruments closed with a combined participation of US$68M, a notable amount given the Central Bank's early prepayment of US$145M in CDs on January 16, 2015. Market liquidity levels continue to be fair given the additional inflow of funds, with some brokers quoting lower rates on USD funds.

Foreign Exchange Market

Selling	Close: 16/01/15	Close: 26/01/15	Change
J$/US$1	115.31	115.72	+$0.41
J$/CDN$1	97.86	93.41	-$4.45
J$/GBP£1	176.12	173.33	-$2.79

The JMD slipped J$0.41 at the close of the week. The contributing factors were low USD liquidity in the FX market, increased broker demand and increased end user demand. Demand in general has increased as end-users have been buying aggressively in the event of further reduced USD flows. On Friday, the dollar closed at a weighted average selling rate of J$115.72:US$1.00.

GOJ Globals

Jaman global bonds started out last week with light interest and trading volumes however, after the announcement of the ECB asset buyback program there was a surge in demand and prices for most emerging market assets. The Jaman 25N traded at 108.25 while there was demand for 19s at 109. Trading in local currency bonds was limited to retail volumes.

Indicative Levels - GOJ Globals

	Bid	Offer	Offer Yield*
2015	102.000	102.500	1.62%
2017	115.750	117.250	3.08%
2019	108.750	110.750	4.54%
2022	126.000	128.000	6.55%
2025	116.250	118.250	6.82%
2036	107.500	109.500	7.59%
2039	103.000	104.750	7.56%

International News

After months of debate, the European Central Bank (ECB) announced on January 22nd that it was finally introducing a big program of quantitative easing (QE). It plans to spend €60B ($70B) a month for at least 19 months, adding hefty purchases of government bonds to an existing scheme to buy covered bonds and asset-backed securities (currently around €10B - worth a month). The total buy-back is expected to be approximately $1Tn. Special rules will apply to the purchase of bonds of countries like Greece which have received bail-outs. The bulk of any losses on sovereign debt that have been purchased will be borne by the national central banks. The asset repurchase is expected to continue until the ECB sees a sustained adjustment in the path of inflation. QE is designed to stave off deflation in the 19-nation currency bloc by improving liquidity and creating a better environment for the growth in credit. The buyback of bonds should have the effect of creating a dearth of government bonds and as such will force investors to purchase other assets such as corporate bonds. Against this background it is hoped that companies will use this opportunity to raise funding in the market with the goal of pumping it back into businesses to further propel growth.

The central bank is turning to QE because of the weak state of the European economy. The recovery since the double-dip recession in the acute phase of the euro crisis has been weak and faltering. Slack demand has caused "low inflation": headline prices fell in the year ended December by 0.2% while core inflation (excluding volatile components like food and energy) was 0.7%.

One difference between QE in the euro zone and in the U.S. arises from the nature of their financial systems. Because firms rely much more heavily on capital markets in America, they benefited a lot as falling yields on government debt pushed investors into riskier assets such as corporate bonds. By contrast, bank loans as opposed to corporate issues are more dominant in the euro zone, and as a result QE may not have the intended effect in the corporate bond market.

Over in the US, the index of U.S. leading indicators increased in December, extending its rise to four straight months, as the world's largest economy expanded. The Conference Board's index, a gauge of the outlook for the next three to six months, increased 0.5% in December, after a revised 0.4% gain in November. An improving job market and plunging gas prices continue to support consumer spending that makes up almost

*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.

70% of the economy. A strong domestic market is buffering the U.S. against global weakness as Federal Reserve policy makers prepare to meet next week to discuss if and when to raise interest rates.

Prices in Europe Continue to Sink, Showing Why Draghi Had to Act

Mario Draghi's reasons for flooding the euro area with money will be laid bare once again this week.

Days after the European Central Bank president announced a 1.1 trillion-euro ($1.2 trillion) stimulus plan, data may show prices in the euro area are falling at close to the fastest pace since the shared currency was introduced 16 years ago.

Sinking prices, together with stubbornly high unemployment, will reinforce the picture of economic weakness that convinced the Frankfurt-based central bank to go ahead with the controversial purchase of government bonds. Anticipation of more action from Draghi to prevent a deflationary spiral lifted German business confidence this month and may be echoed in a euro-wide sentiment index on Thursday

"We're seeing a moderate recovery, but the big question is, is it strong enough to get inflation back up over the relevant time horizon?" said Nick Kounis, head of macro research at ABN Amro Bank NV in Amsterdam. "It helps the story if things start to move a bit more in the right direction and then he can get another round of Super Mario credit."
While the ECB's decision to start full-blown quantitative easing was widely anticipated, the size of the program exceeded forecasts. With monthly purchases of 60 billion euros until at least September 2016, the total was double economists' projections.

Even with that scale, it's unclear whether the stimulus will be enough to push inflation back toward the ECB's goal of just under 2 percent.

Internal Models

Professional forecasters surveyed by the ECB before the QE announcement saw price growth of 0.3 percent this year and 1.1 percent in 2016. The bond-buying program is seen adding 0.4 percentage point and 0.3 percentage point respectively, according to a euro-area central bank official who has seen the ECB's internal calculations.

U.K. Consumers Push Back Against Drag From European Weakness

British exporters are taking a knock from the sluggishness of the euro area, leaving consumers fueling much of the fire behind the expansion.

Households ramped up spending in stores at the fastest pace in more than a decade in the fourth quarter, and data Tuesday will show how much that checked the impact of weak external demand. Economists forecast growth of 0.6 percent in the three months, down from 0.7 percent in the third quarter.
While the buildup to the general election in less than four months may weigh on confidence, further stimulus may reverse the cooling trend. The European Central Bank will pump $1.3 trillion into the economy of Britain's biggest trading partner, while a slump in oil prices and strengthening wage growth are handing Britons the spending power they've been missing for years.

"Growth is pulling back but the recovery hasn't stumbled," said Victoria Clarke, an economist at Investec Securities in London. "We're expecting an improvement in Europe and oil might mean a big boost to consumer spending, with more to come from what we've already seen."

Forecasts for the fourth quarter in the Bloomberg survey range from 0.5 percent to 0.8 percent growth. For the full year, gross domestic product probably rose 2.6 percent, according to a separate poll.

The Office for National Statistics will publish the estimate for the quarter, which is based on about 44 percent of the data that will become available, at 9:30 a.m. tomorrow. Three days later, the Bank of England will publish data on mortgage lending and consumer credit for December.

Survey Weakness

Recent reports have pointed to softer U.K. growth, with services expanding the least in 19 months in December. Markit said this month its industry surveys indicate GDP rose 0.5 percent in the fourth quarter.

Easing the sting is a slowdown in inflation to just 0.5 percent in December, matching a record low. BOE officials have said the rate may drop to zero and there's a chance of price declines.

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.