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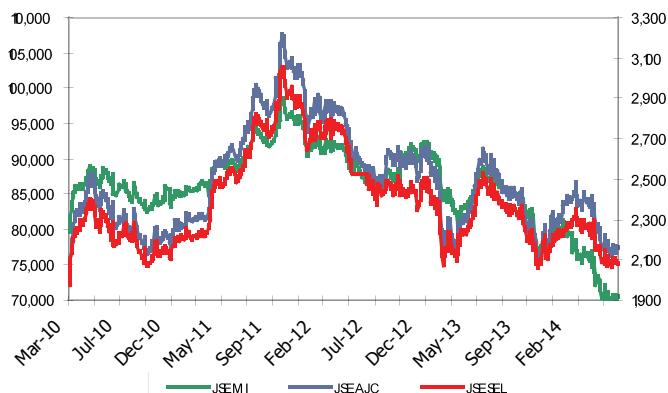
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## Jamaican Stock Market



## Weekly Movement in Indices

Indices	Closing Levels	Change
JSE Combined Index	78,413.24	-1,241.50
JSE Market Index	76,539.17	-1,288.87
All Jamaican Composite	84,292.66	-1,441.01
Jamaica Select Index	2,267.39	-46.02
JSE Cross Listed Index	585.90	-

## Most Active Stocks

JBG	10,554,128	37.95%
NCBJ	3,530,502	12.69%
LIME	3,509,853	12.62%

## Top Winners & Losers This Week

	\$ Change	% Change
Winner:JP	\$1.30	+8.28%
Winner:138SL	\$0.30	+7.32%
Loser:HL	-\$1.12	-14.64%
Loser:RJR	-\$0.19	-14.62%

## LASD-Delivers "Cool" Revenues...

For the nine month period ended December 2014, LASD reported earnings of \$394.8Mn which represented a 5.3% decline relative to the corresponding prior year period. Despite posting strong revenues (+15.0%), higher operating expenses weighed on the company's bottom-line. The robust sales performance was attributable to the full roll out of the iCool brand of bottle water, cran waters and juices. However, in order to achieve such top-line growth LASD continued with its aggressive marketing and promotional activities. The focus was to increase brand awareness and distribution of the iCool beverage range across all shopping channels. Given these efforts, operating expenses rose by 17.1% during the period to \$1,117Mn. Net profit margin narrowed by 110 basis points to 4.9% in the nine month period to December relative to the prior year.

On a forward looking basis, LASD should see some benefits from new distribution agreements. In November, Unilever Caribbean appointed LASD as the local distributor for their Food and Personal Care Brands. The distribution agreement includes food brands such as Red Rose and Lipton Teas, Blue Band, Flora margarines etc. For the personal care category, brands now distributed are Tresseme, VO5 etc. LASD's distribution range will further widen given an agreement in December 2014, where National Rums of Jamaica appointed the company as the exclusive distributor for their brand of Monymusk Plantain Rums.

## Lasco Manufacture Makes a Loss for Nine Month 2014

Lasco Manufacturing Ltd (LASM) recorded net profit of \$426.3Mn (EPS: \$0.10) over the nine month period ended December 2014. This represents a 4.8% decline in earnings when compared to the corresponding 2013 period. In spite of the bottom line results, the company started off the period on the right foot. Thanks to the success of its iCool line of products and a 53% increase in sales from the export market, total revenues moved ahead by 15.6% to \$3,333.4Mn. Additionally, the company was able to manage its cost of sales as gross profit margin for the period remained flat at 26.8% for the period. However, LASM's operating expenses also increased over the nine month timeframe. Significant expenditure on the marketing and promotion of its new products resulted in total operating expenses increasing by \$85Mn (+28.5%). The company's earnings and net profit margin were further eroded by an increase in financing costs. A \$1Bn drawdown on a loan along with the capitalization of LASM's expenditure on new its manufacturing plant resulted in finance costs 5.5 times higher than the amount recorded in 2013. As such, net profit margin

deteriorated by 2.7 percentage points to 12.8%.

As LASM's iCool line of products gain traction in the market and the company moves to meet the high demand for the product, the company is likely to round out its financial year with an increase in revenues. More importantly, the increase in the export market augurs well for long-term revenue growth.

At its current price of \$1.20, LASM's trailing P/E is 8.16X and P/B is 1.66X.

#### Lasco Financial Services Registers Higher Net Profit in Nine Months to December

Lasco Financial Services Ltd (LASF) earned bottom line profit of \$180.9Mn (EP: \$0.147), a 33.3% increase over the same March to December 2013 period. LASF was able to capitalize on significant growth in remittance inflows in the island, which reached a 10 year high as at September 2014. Consequently, increased revenues from its remittance business line along with an increase in interest income owing to a larger loan portfolio boosted total income to \$547.2Mn. This represents growth of 16.9%. But persistent market activity in key diaspora segments and higher administrative costs led to total operating expenses moving up \$36.8Mn (+9.6%) to \$384.7Mn. However, a larger revenue base resulted in costs-to-income improving from 71.9% in 2013 to 69% in 2014. Despite the significant increase in net profit the company's return on equity remained relatively flat at 25%.

Though interest margins remain weak, the robust rebound in the remittances market augurs well for LASF's performance in subsequent periods.

At its current price of \$1.05, LASF's trailing P/E is 5.83X while P/B is 1.62X

### JMD Money Market

JMD market liquidity levels tightened considerably last week due primarily to FX market interventions by BOJ. The Central Bank also announced its offer of a USD-Indexed Note which is scheduled to open on Tuesday, February 3, 2015 with a coupon of 3.25%. These market operations have and will continue to put a damper on the effect of market inflows from the maturity of the BOJ 3.50% 2015 USDIN on Wednesday, February 4, 2015 (J\$5B).

USD market conditions continue to be stable due to high liquidity levels.

### Foreign Exchange Market

Selling	Close: 23/01/15	Close: 30/01/15	Change
J\$/US\$1	115.72	115.81	+\$0.09
J\$/CDN\$1	93.41	91.88	-\$1.53
J\$/GBP£1	173.33	174.84	+\$1.51

The dollar depreciated by \$1.13 during the month. The contributing factors were, low USD liquidity in the FX market, increased broker demand and increased end user demand. On Friday the dollar closed at a weighted average selling rate of J\$115.81:US\$1.00.

## GOJ Globals

Jaman global bonds continued to be in heavy demand as supplies were limited. The 25N dominated activity closing the week at 109 while there were buyers of most other bonds on the curve. Trading in JMD bonds was limited to retail size volumes.

## Indicative Levels - GOJ Globals

	Bid	Offer	Offer Yield*
2015	102.000	102.500	1.26%
2017	115.750	117.250	3.04%
2019	109.250	111.250	4.37%
2022	126.000	128.000	6.54%
2025	108.500	109.750	6.24%
2036	108.250	109.750	6.24%
2039	105.750	108.000	7.28%

## International News

Spain returned to growth in 2014 after a six-year slump, but the recovery is far from being felt as the unemployment rate is still high at 23.7%. The euro zone's fourth-largest country expanded by 1.4% in 2014 after contracting by 1.2% in 2013. It is the first full-year economic growth in Spain since 2008 when a property bubble burst, putting millions of people out of work and pushing the country to the brink of a bail out. But Spain's strong tourism and export sectors, as well as improved domestic demand have helped lift output, catapulting the economy to one of the fastest-growing in the euro zone last year, behind Ireland which is estimated to have grown by 4.7% and economic powerhouse Germany which grew by 1.5%. Spain is heavily reliant on energy imports and the government estimates falling oil prices could save the country up to 15B euros (\$17B) this year while a weaker euro makes exports cheaper.

U.S. economic growth slowed sharply in the fourth quarter of 2014 as weak business spending and a wider trade deficit offset the fastest pace of consumer spending since 2006. The slowdown followed two back-to-back quarters of bullish growth and is likely to be short-lived given the enormous tailwind from lower gasoline prices. Other data indicate that consumer sentiment rose to an 11-year high in January.

### Manufacturing in U.S. Expands at Slowest Pace in a Year

Factories expanded in January at the weakest pace in a year as orders cooled, a sign weakness in overseas markets is restraining U.S. manufacturing.

The Institute for Supply Management's index dropped to 53.5 from 55.1 in December, a report from the Tempe, Arizona-based group showed Monday. The median forecast in a Bloomberg survey of 74 economists called for a decline to 54.5. Readings greater than 50 signal growth.

The plunge in oil prices is limiting sales at manufacturers such as Caterpillar Inc. while slower growth from Europe to China and the strengthening dollar represent another hurdle for American exports. At the same time, consumer spending that's coming off the best quarterly gain since 2006 indicates U.S. production will probably hold up.

Economists' estimates in the Bloomberg survey ranged from 52 to 56.5. Readings greater than 50 indicate 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 (NCBCLM) are adjusted to reflect the costs associated with completing the transaction on the respective client's behalf.

Elsewhere, factories in the U.K. expanded at a faster pace last month while manufacturing in China contracted. Markit Economics said Monday that its index of U.K. purchasing managers improved to 53 in January from 52.7 a month earlier. The Chinese government's gauge dropped to 49.8 from 50.1 in December, a report showed Feb. 1.

### Consumer Spending Declined in December by Most in Five Years

Consumer spending fell in December as households took a breather following a surge in buying over the previous two months.

Household purchases declined 0.3 percent, the biggest decline since September 2009, after a 0.5 percent November gain, Commerce Department figures showed Monday in Washington. The median forecast of 68 economists in a Bloomberg survey called for a 0.2 percent drop. Incomes and the saving rate rose.

Consumers responded to early promotions by doing most of their holiday shopping in October and November, leading to the biggest jump in consumer spending last quarter in almost nine years. For 2015, a pick-up in wage growth will be needed to ensure households remain a mainstay of the expansion as the economy tries to ward off succumbing to a global slowdown.

Projections for spending ranged from a decline of 0.6 percent to a 0.2 percent gain. The previously month's reading was initially reported as an increase of 0.6 percent.

For all of 2014, consumer spending adjusted for inflation climbed 2.5 percent, the most since 2006.

Incomes climbed 0.3 percent in December for a second month, the Commerce Department's report showed. The Bloomberg survey median called for a 0.2 percent increase. November's income reading was revised down from a 0.4 percent gain previously reported.

While growth in the world's largest economy slowed in the fourth quarter, consumption surged, with household spending rising at the fastest pace since early 2006, a report from the Commerce Department last week showed.

Gross domestic product climbed at a 2.6 percent annual rate from October through December after a 5 percent pace in the third quarter, the report showed. Cheaper gasoline and labor market improvement helped consumption grow at a 4.3 percent rate, though business investment cooled amid plunging oil prices and concerns that growth in overseas

### France Offers Support, but No Debt Relief, to Greece

French officials said Sunday they would support the new Greek government's efforts to get the country back on its feet after five years of crushing austerity, but warned that there would be no write-down of Greece's debt and pressed Athens to continue with reforms that are still needed to help mend the country's economy.

"France is more than prepared to support Greece," Michel Sapin, the French finance minister, said during a news conference after a two-day visit by Yanis Varoufakis, his new Greek counterpart. "Greece needs time to put things to work," he said. But he added, there was "no question" of forgiving Greek debt.

Mr. Varoufakis was beginning the first of a series of visits to European capitals this week after the leftist Syriza party won power in elections last month in a populist backlash against austerity. He said that although Athens was "desperate" for money, it would not seek a 7 billion euro installment on its 240 billion euro international bailout package because that would require the nation to adhere to austerity terms.

Economists say Greece needs the money to cover looming funding needs and debt obligations, and to help a recovery after the economy contracted around 25 percent in five years.

"We have resembled drug addicts craving the next dose. What this government is all about is ending the addiction," Mr. Varoufakis said, adding it was time to go "cold turkey."

President Barack Obama, in his first remarks on the situation since the Syriza government came to power, cast doubt on the soundness of Europe's austerity policies during an interview with CNN that aired on Sunday.

"You cannot keep squeezing countries that are in the midst of a depression," he said of Greece. "At some point, there has to be a growth strategy in order to pay off their debts and eliminate some of their deficits."

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