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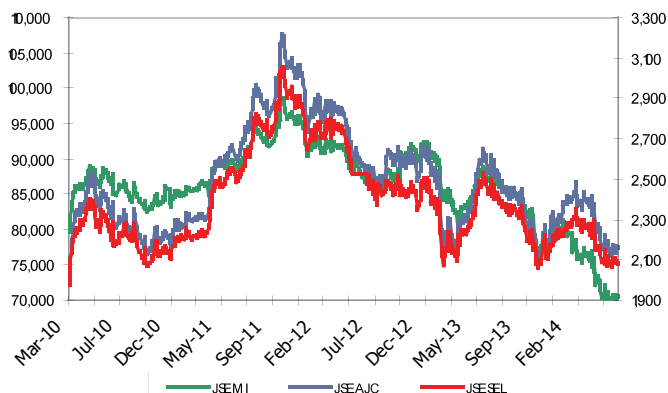
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Jamaican Stock Market



Weekly Movement in Indices

Indices	Closing Levels	Change
JSE Combined Index	84,076.55	+1,274.63
JSE Market Index	82,388.05	+1,280.10
All Jamaican Composite	90,831.96	+1,431.20
Jamaica Select Index	2,469.87	+46.39
JSE Cross Listed Index	585.90	-

Most Active Stocks

AFS	112,421,260	66.51%
PANJAM	24,409,345	14.44%
SVL	10,011,671	5.92%

Top Winners & Losers This Week

	\$ Change	% Change
Winner: MIL	\$0.37	17.87%
Winner: SVL	\$0.34	17.62%
Loser: CFF	-\$0.59	-25.11%
Loser: CCC	-\$0.28	-10.77%

Change in Accounting Treatment Weighs on SGJ's Q1 Performance

Scotia Group Jamaica (SGJ) closed the first quarter of financial year 2014/15 with earnings amounting to \$1,480Mn (EPS:\$0.47) which represented a 32% decline over the prior year period. The reduction was primarily attributed to the adoption of a new accounting treatment for the asset tax, under the International Financial Reporting Interpretation Committee (IFRIC 21). The accounting treatment requires that the total liability relating to asset tax for the Group be accounted for on November 1, 2014, the first day of the 2015 financial year. Prior periods financial statements were also restated to conform with the requirements of the interpretation. Prior to IFRIC 21, the asset tax was accrued evenly throughout the financial year, the adoption of IFRIC 21 has resulted in the full charge being reflected in the first quarter. The increase in the asset tax rates in May 2014 also increased the incremental effect of the accounting change on the Group's performance in Q1 2014/15 relative to Q1 2013/14. If the effect of the accounting treatment was excluded, Group earnings would have amounted to \$2,452Mn, a 4% decline over last year.

In addition to the impact of the asset tax, the group's core revenue growth was weak. Net interest income after impairment losses rose marginally (0.6%) to \$5,739Mn. There was notable decline in impairment losses on loans due to enhanced adjudication, monitoring and collection efforts. While the Group saw an expansion of its loan portfolio of 10% year-on-year, primarily residential mortgages, consumer and Commercial portfolios, it is expected that the competitive loan market will continue to weigh on net interest margin. Non-performing loans (NPLs) at January 2015 increased by \$415Mn, however, total NPLs as a percentage of gross loans declined to 3.34% from 3.32% as at October 2014.

Non-interest revenues assisted in augmenting the marginal outturn from the Group's core business. Non-interest revenues grew by 14.2% reflecting increases in net fee and commission income, increased transaction volumes and an increase in market share in its merchant service business.

The change in the accounting treatment of the asset tax was the main catalyst to the growth in operating expenses. Expenses rose by 20% to \$6,313Mn. As such the Group's productivity ratio - a key measure of cost efficiency - deteriorated to 73.94% for 2015, compared to 65.78% for the same period as at January 31, 2014.

Scotia Investments Jamaica Ltd's Earnings Decline in the First Quarter of FY2014/15

Like its parent company- Scotia Group- Scotia Investments Jamaica Ltd (SIJL) recorded a \$219.4Mn year-on-year decline in net profit for the first quarter of its 2014/15 financial year (Q1 FY2014/15). Earnings for the period stood at \$136.2Mn (EPS: \$0.32). The significant falloff in net profit was primarily due to a change in accounting treatment as it related to the asset tax charged, in which the total liability relating to the asset tax will now be accounted for at the beginning of each financial year. Additionally, revenues from both net interest income and non-interest income streams declined. SIJL's management continues to drive its strategic thrust to move away from heavy reliance on interest income and to place more focus on non-interest income. Consequently, repo liabilities declined by 7.1% and net interest income after impairment losses were 26.2% lower at \$470.1Mn. Though SIJL continued to record an increase in net fee and commission income due to its strong position in the unit trust market, a decline in net gains on financial assets and other revenue weighed on total non-interest revenue. As such, total operating income fell to \$815Mn from \$989.1Mn. Given the new accounting treatment regarding asset tax, total operating expenses increased.

A 14.5% increase in salaries and staff benefits along with the 67% increase in the amount recorded for asset tax resulted in total operating expenses moving up by \$73.1Mn (+15%) to \$562.5Mn. As such, SIJL's cost to revenue ratio (productivity ratio) deteriorated from 49.4% in 2014 to 69% in 2015.

The impact that the new accounting principle has had on earnings, place even more pressure on SIJL to ramp up revenues. Though the company remains rather competitive in the unit trust and mutual funds space, revenues may be further challenged as other investment houses gain market share in these segments.

GK FY2014

GK continued to deliver on its promise to become a Global Consumer Group during FY2014, which was displayed by strategic investments and growing international presence.

During the year Group's main areas of focus entailed the strengthening of its Jamaican businesses; extending its reach in international markets – more so in Western Africa, continental Europe, and the USA's East and West Coasts; improved capital management and cost containment.

Revenues grew by 15.9% to \$77,970Mn, however this did not fully filter to the bottom-line as earnings for the year grew by only 2.0% to \$3,285Mn.

GK Financial performed creditably, largely as a result of the strong performance of the Money Services (24.4%) and Insurance segments (272.0%). The Insurance segment reported growth in both revenue and profit, attributable mainly to the improved underwriting performance of Jamaica International Insurance Company Limited. The segment was strengthened by the acquisition of an additional 50% of the shares in the St. Lucia-based EC Global Insurance Company Limited, bringing the Group's shareholding to 80%. However the Banking and Investment segment declined during the period due primarily to the divestment of First Global Financial Services Limited on May 30.

Access Continues to Increase Profit in FY2014

Access Financial Services Ltd (AFS) registered net profit of \$306.7Mn (EPS: \$1.12), a 13.6% increase over earnings reported in 2013. Despite recording a 3.3% decline in its loan portfolio, AFS saw a 30% increase in interest income from loans due to higher interest charged on its loans. Net interest income moved up by \$213.6Mn (+29.5%) to \$938.1Mn while net fees and commissions on loans increased by \$13Mn (+33%). With the company seeing improvements from most of its major revenue streams, total operating income increased from \$780.5Mn to \$1,003.3Mn. However, AFS also recorded an increase across all operating expenses lines. Higher staff costs and allowance for credit losses along with the decision by the company's management to cover all legal fees for its directors in relation to the legal issue with Marcus James pushed total costs up by 35.6%. Total operating expenses for the year was \$691.9Mn and resulted in a 3.6 percentage points deterioration in AFS' efficiency ratio to 69%.

Going forward, we anticipate that AFS will generate further revenue growth for the 2015 financial year. AFS has recently indicated that it acquired the loan portfolio of Asset Management Company Limited, a subsidiary of Proven Investments Limited (PROVEN). The purpose of the acquisition is to expand its local customer base and share of market. AMCL through its eZzeeas 123 brand offers consumer and business financing. It is estimated that this would add approximately \$500Mn to

AFS' loan portfolio.

JMD Money Market

The Bank of Jamaica closed its issue of a 365-day and 2-year VR CD on Friday, March 6, 2015. The issues had an initial coupon of 7.13% and 7.50%, respectively and closed with combined participation of J\$3.2B. JMD liquidity conditions continued to be constrained last week and was characterized by high demand for 30-day and longer funding. The Central Bank also closed a 3-, 5- and 7-year CD offer on Friday.

GOJ Globals

Jaman global bonds were heavily bid last week with Jaman 19 and 25N dominating activity with the 19s trading at 111.00 and 25N at 110.50. Trading in local currency bonds was limited to retail volumes.

Indicative Levels - GOJ Globals

	Bid	Offer	Offer Yield*
2015	101.250	102.000	0.78%
2017	115.000	117.000	2.915
2019	110.500	112.000	4.07%
2022	127.000	129.000	6.34%
2025	110.500	112.000	5.93%
2036	110.500	112.500	7.32%
2039	107.500	109.250	7.17%

Foreign Exchange Market

Selling	Close: 27/02/15	Close: 06/03/15	Change
J\$/US\$1	115.64	115.55	-\$0.09
J\$/CDN\$1	92.64	92.30	-\$0.34
J\$/GBP£1	178.63	175.42	-\$3.21

Demand for USD was moderate during the week. USD inflows from the Tourism sector continued steadily, while some end users converted USD in order to meet JMD obligations. These two factors helped in slowing the pace of depreciation throughout the week. On Friday the dollar closed at a weighted average selling rate of J\$115.58:US\$1.00 which represented a \$0.09 appreciation.

International News

The US economy gained momentum last month as the Labor Department indicated that employers added 295,000 workers in February, far exceeding expectations. The unemployment rate fell to 5.5%, its lowest since mid-2008, down from 5.7% in January. Job growth last month came particularly from the service sector, with leisure and hospitality adding 66,000 jobs, as well as an expansion of 54,000 jobs in education and health. Construction added 29,000 jobs in February, while manufacturing increased by just 8,000. February marked the 12th straight month that employment gains have been above 200,000, the longest such run since 1994. Still, one consistently dark patch in the recovery has been the sluggish growth of wages. Average hourly wages for private-sector workers have been rising slowly, at around 2% annually, for the last few years. While economists acknowledged that persistently sluggish wage growth and very benign inflation argued against the Fed pulling the trigger in June, they said tightening conditions in the labor market could force the central bank's hand. U.S. stocks retreated, with the Standard & Poor's 500 Index heading headed for its steepest slide since January 5, 2015, as the report fueled speculation the Fed is moving closer to raising rates. The yield on the 10-year Treasury climbed 12 basis points, or 0.12 percentage point, to 2.24%.

The Greek prime minister has accused the European Central Bank of holding a noose around the country's neck as the government rushes to assure creditors it can avert bankruptcy this month. The Central Bank has also rebuffed Greek's appeal to raise the limit on short-term debt issuance, as it faces €6.5B in payments over the next three weeks. Greece made its first €300M payment to the International Monetary Fund on March 6 2015. It faces another €1.2M in loan redemptions to the Fund before the end of the month. But the government is scrambling to find the funds it needs to meet its obligations to creditors in March. Athens is due to receive €7.2B of bail-out money but not before April. ECB president Mario Draghi said a collateral waiver on Greek bonds would only be reinstated once "a successful completion of the bail-out review is put in place". Greek banks are having to rely on a form of expensive emergency funding to stay afloat as capital has rushed out of the country.

ECB Raises Stakes for Greece as Emergency Cash Review Tightens

*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.

The European Central Bank will hold an extraordinary review of the Emergency Liquidity Assistance extended to Greek lenders this week, two officials familiar with the matter said, as the Frankfurt-based institution is raising the pressure on Athens to meet its bailout commitments.

The Governing Council of the ECB decided to hold a weekly review of the liquidity needs of Greek banks, instead of the regular biweekly process, in its meeting in Cyprus, on March 5, one of the officials said. The Council decided to monitor ELA provision for Greece more closely, the official said, adding that the review will take place either on Wednesday or Thursday.

A spokesman for the Bank of Greece could not be reached for comment. A separate Bank of Greece official said that no decision has been made yet on whether the country's central bank will ask for an increase in the ELA ceiling during this week's review.

Greece's cash-starved government has been at loggerheads with the euro area and International Monetary Fund over austerity measures and the implementation of economic overhauls since its Jan. 25 election.

As bailout disbursements have ceased, the Greek state covers its cash deficit by rolling over treasury bills, forcing the country's banks to make a choice between participating in liquidity-draining auctions or letting their sovereign default.

Uncertainty over the outcome of the standoff has exacerbated the crunch. Savers withdrew some 20 billion euros (\$22 billion), or about 12 percent of total deposits, from banks, further depleting their liquidity buffers, and leaving them reliant on the ELA lifeline to stay afloat.

The ECB has already lent 100 billion euros to Greece's banks, or 68 percent of the country's gross domestic product, President Mario Draghi said on March 5. The ECB Governing Council increased the available pool of ELA, which constitute the bulk of that lending, by 500 million euros to 68.8 billion euros, he added.

Americans Get Burned by Europe Bond Rally That's Undone by Euro

You can't blame U.S. credit investors for wanting to ride this wave of European central bank stimulus. As policy makers buy bonds from traders in the market -- the thinking goes -- they'll bid up prices.

The problem is buying euro-denominated corporate bonds hasn't necessarily been a good trade because the euro has been tanking relative to the dollar.

While euro-denominated corporate bonds have gained 1.4 percent this year according to a Bank of America Merrill Lynch index, a U.S. exchange-traded fund focused on the debt has lost 9 percent. State Street Corp.'s International Corporate Bond ETF is the second-worst performer among all U.S. debt ETFs this year, according to data compiled by Bloomberg.

The huge difference in returns all comes down to how Americans bring their European investments home. Most likely, when they're ready to cash in, they'll have to convert those euros back into dollars.

With yields at record lows, that means this trade is as much a bet on the euro as anything else. And that's a huge problem given the euro's 10 percent drop against the greenback this year. The average yield of less than 1 percent on European investment-grade corporate bonds isn't enough to offset that currency move.

Fund Flows

"It's not attractive at all for global investors," said Dorian Garray, a New York-based money manager for an investment-grade debt fund at ING Investment Management Co. To the extent that money is still going into the debt, either it's coming from euro-specific funds or "investors who are just trying to profit from any small window of opportunity."

Money is still pouring into global bond funds, with such strategies attracting \$5.7 billion last week, according to EPFR Global data. Investors also funneled about \$3 billion into debt ETFs traded in Western Europe, Bloomberg data show.

That State Street international fund -- which is registered in the U.S. -- has accumulated \$228.7 million of assets since its inception almost five years ago. While it outperformed comparably-rated U.S. debt in the two years through 2013, it's struggled ever since, losing more than 13 percent.

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.

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