NCB CAPITAL MARKETS LIMITED

Weekly Market GUIDE

Annya Walker
AVP Research,
Strategic Planning
& Projects

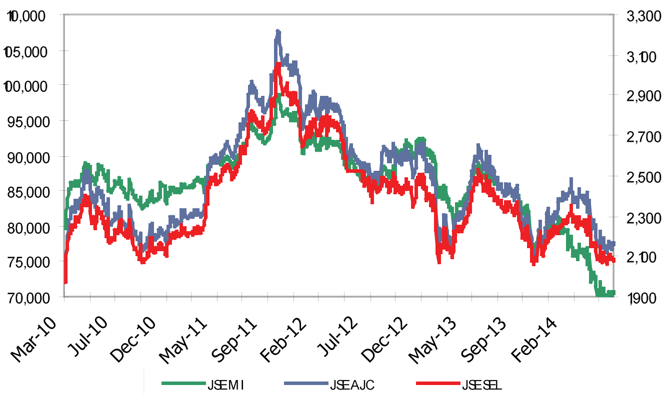
Simone Hudson
Senior Research
Analyst
Tel: 935-2585
hudsonsg@jncb.com

Shellon Williams
Research Analyst
Tel: 935-2749
williamssp@jncb.com

Shaneka Wynter
Research Analyst
Tel: 935-2763
wyntersy@jncb.com

May 11th 2015

Jamaican Stock Market



Weekly Movement in Indices

Indices	Closing Levels	Change
JSE Combined Index	99.424.78	+1,491.83
JSE Market Index	97,419.53	+1,330.44
All Jamaican Composite	107,637.84	+1,587.49
Jamaica Select Index	2,943.75	+17.76
JSE Cross Listed Index	585.90	-

Most Active Stocks

BIL	6,844,769	17.61%
NCBJ	4,739,208	12.19%
CCC	3,775,126	9.71%

Top Winners & Losers This Week

	$ Change	% Change
Winner:KREMI	+$0.36	+55.38%
WinnerCBNY	+$0.03	+42.86%
Loser:SIJL	-$2.50	-9.26%
Loser:JMMB 8.75%	-$0.18	-5.63%

The Government Underperforms Relative to Critical Targets......

The fiscal outturn for the FY2014/15 showed a deficit of $7.8Bn, which was 31.8% lower than anticipated, driven primarily by expenditure cuts. The primary balance stood at $117.2Bn,but was 3.3% below budget, and also fell short of the IMF target, of $121.0Bn (3.1% shortfall). Also, difficulties experienced throughout the fiscal year in growing tax revenues was clear, as the Central Government failed to meet the IMF's tax revenue floor for the second consecutive quarter. For the fiscal period to December 2014, tax revenues fell short of the floor by 0.5%, but this quantitative target was waived by the IMF which gave Jamaica clearance for its seventh IMF test. However for the full fiscal year, the tax revenue outturn amounted to $370.8Mn, being 3.5% below budget and 3.4% below the IMF's revenue floor of $384.0Mn. This was partially attributable to less than expected GCT receipts and company profits. All main tax revenue categories underperformed.

With two important quantitative targets not met, there are concerns as to whether or not Jamaica will receive a waiver from the IMF for the eight review. The Economic Programme Oversight Committee (EPOC), has expressed confidence that the IMF will issue a favorable review. The co-chair of the Committee indicated that the previous successes are important and the IMF team must now make a decision based on important qualitative judgment that goes beyond just the numbers. In making a decision whether to waive the targets, considerations should include whether the Government remains committed and displays the effort needed to achieve the critical targets under the programme and whether the macroeconomic circumstances that were beyond the control of the authorities are sufficient enough to impact the targets. The IMF may grant some flexibility, if it is deemed that at 3.5% deviation is considered immaterial and best efforts of the government could not have otherwise prevented the outcome. The constraints of weak economic growth and the limited ability to continuously cap expenses would have all contributed to the underperformance relative to target.

On a forward looking basis, efforts to improve tax compliance will have to be significantly ramped up so that the benefits of the recent tax package implemented in March can be realized. Also critical to the ongoing success of the IMF program and quantitative targets will be a renegotiation of the wage freeze with public sector workers for the 2015/16 fiscal year. Without favourable outcomes on these two critical elements, the government may continue to struggle in meeting tax revenue and primary balance targets.

For the FY2014/15 expenditure totaled $419.4Bn, with all expenditure line items being lower than target. The most significant deviation from budget was capital expenditure which was 33.5% lower than the targeted $34.6Bn. Interest expense also came in under budget by 5.8% given low interest rates.

Net International Remittances

Following the disbursement from the IMF, Net International Remittances (NIR) for April 2015 was US$2,392.56Mn, up 4.3% relative to the prior month. This is the second highest NIR outturn since June 2011. Higher Currency and Deposits were the primary drivers of the US$98.88Mn month-over-month increase in NIR. This is enough to cover 20.6 weeks of imports which exceeds the 12 week benchmark.

Sagicor Group Jamaica Ltd "Claims" Higher Earnings in Q1 2015

Sagicor Group Jamaica Ltd (SJ) recorded $1.36Bn (EPS: $0.35) in net profit for the first quarter in 2015 (Q1 2015). This represents a notable 42% year-on-year increase in earnings in the corresponding 2014 period. The outturn was primarily due to the benefits from the inclusion of the Group's RBC acquisition, high recoveries on delinquent loans at Sagicor Bank and favourable insurance benefits outcome during the quarter. Despite registering lower revenues from its Individual Lines and Employee Benefits segments, a significant improvement in both its Investment and Commercial Banking segments outpaced those declines. Net investment income moved up by 39.8% to $4.08Bn while growth in the Group's unit trusts portfolios resulted in fees and other revenue increasing 20.7% to $1.32Bn. Overall total revenue moved from $12.61Bn in Q1 2014 to 12.72Bn in Q1 2015. Despite a relatively flat total revenue outturn, significant growth in earnings was supported by favourable savings in the Group's benefits and costs. In Q1 2014, the Group made a large provision for annuity contracts which was not repeated in 2015. As such, changes in insurance and annuity contracted by 57.3% to $1.72Bn.

The inclusion of RBC's costs increased administrative expenses by 45% to $2.88Bn. The normalized Group efficiency ratio of administrative expenses to total revenue deteriorated from 22% in Q1 2014 to 28% in Q1 2015. However, it is expected that there will be some improvements in the second half of 2015 once it converts to a single banking platform. With the exception of the Employee Benefits, all other segments reported an increase in overall earnings. Return on equity was 100 basis points higher at 12% as at the end of the first quarter. At the price of $12.01, trailing P/E was 5.22X while P/B was 1.03X.

Mayberry Investments Ltd Registers Higher Earnings in Q1 2015

Mayberry Investments Ltd (MIL) earnings increased by 7.4% to $81.8Mn (EPS: $0.07) during the first three months of the 2015 financial year (Q1 2015). MIL saw improvements from a number of its revenue streams. Most notably, net interest income, dividend income and net trading gains moved up by 29%, 99.8% and 51.5%, respectively. Consequently, net interest income and other operating revenues totaled $281.83Mn, a $43.1Mn (+18.1%) increase when compared to the amount registered in the same period last year. Total operating expenses declined by 15.3% to $160.57Mn on account of positive results from provision for credit losses. In accordance with the newly implemented accounting rules, MIL recognized its full asset tax payment in the first quarter. As such, asset tax was $49.16Mn versus $5.98Mn in Q1 a year ago. Since it sold its interest in Access Financials, MIL did not register a share of profits in associate companies in the reporting quarter.

At its current trading price of $2.75, MIL's trailing P/E was 4.51X while its P/B was 0.76X.

JMD Money Market

The Bank of Jamaica closed its issue of a 365-day and 2-year VR CD on Friday, May 8th. The issues which had an initial coupon of 6.86% and 7.25%, respectively had a combined participation level of J$2.8B.

JMD liquidity conditions remained constrained last week; however, there was no notable movement in market rates.
The Central Bank also announced its offer of 3-, 5- and 7-year USD CDs last week. The instruments, which opened on May 7th and are scheduled to close on May 13th, had a combined take-up of US$433K.

USD market liquidity levels continue to be moderate with a few brokers expressing demand for longer tenured funds.

GOJ Globals

Jaman global bonds continued to have strong buying interest last week from both local and foreign investors. The 25N was the most actively traded at 112.25, 19s followed at 111 and 39s at 110. Trading in JMD bonds was mostly centred on retail size volumes.

Indicative Levels - GOJ Globals

	Bid	Offer	Offer Yield*
2017	114.500	116.500	2.52%
2019	110.250	111.500	4.02%
2021	109.500	111.250	4.64%
2022	127.500	129.500	6.16%
2025	111.250	113.000	5.77%
2036	112.000	114.000	7.19%

Foreign Exchange Market

Selling	Close: 01/05/15	Close: 08/05/15	Change
J$/US$1	115.74	115.85	+$0.11
J$/CDN$1	95.43	95.69	+$0.26
J$/GBP£1	176.23	178.10	+$1.87

Amid continued strong demand for USD from both brokers and end-users, the Bank of Jamaica intervened to shore up supplies early last week. The BOJ sold USD this week at 115.74 for re-sale at 115.79. Outside of this, the USD traded above $116.10 for much of the week. On Friday, the weighted average selling rate closed at J$115.85:US$1.00.

International News

U.S. employers added 223,000 jobs in April, signaling a labor market rebound following a poor showing in March that was dented by poor weather. April was the 55th straight month of employment gains in the U.S. Consequently, the nation's unemployment rate slipped to a near seven-year low of 5.4% in April from 5.5% the prior month. More notably, hourly wages climbed by 3 cents to US$24.87 while the full year average hourly earnings grew by 2.2%. Though the wage gains in 2015 have so far fallen short of the 3% annual wage growth that was seen prior to 2007, it is still a promising step in the right direction. The positive news bolstered optimism that economic growth is accelerating and resulted in U.S. stocks rising the most since March.

German industrial production unexpectedly declined in March in a sign that Europe's largest economy remains vulnerable to global economic weakness. Output, adjusted for seasonal swings and inflation, fell 0.5% after stalling in February. This was largely due to lower demand from the Euro Area, Germany's largest trading partner. Despite the European Central Bank making large-scale asset purchases, patches of economic weakness around the world and the stand-off between Greece and its creditors risk dragging on an accelerating recovery in the euro area. Nevertheless, the European Commission raised its economic outlook for the euro area, with gross domestic product projected to increase 1.5% this year, up from a prediction of 1.3% in February as the impact of the asset repurchases gains momentum. Meanwhile, Germany's economy is expected to continue outpacing the region and is projected to expand by 1.9% this year and 2% in 2016, according to the report.

Greece pays IMF day before due

Greece paid about 750 million euros to the International Monetary Fund on Monday, a day before it was due, two Greek finance ministry officials told Reuters on Monday.

The payment averts the prospect of default that had shaken financial markets.

"The order to pay the IMF has been executed," a senior Greek finance ministry official said.

Athens is close to running out of cash and there had been doubt about whether it would pay the IMF or choose to save cash to pay salaries and pensions later this month. Greece's government in recent days had insisted it would honor its ob-

*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.

ligations, but officials in the past have warned the country may not have enough money to make the payment.

Despite the payment, Greece's financial condition remains precarious unless it secures fresh aid from lenders.

Greek officials were pressing euro zone finance ministers at a meeting in Brussels on Monday to acknowledge progress in talks with lenders on a cash-for-reforms deal, in the hope it will pave the way for some token to ease the cash crunch.

Euro zone officials, however, played down the prospect of the European Central Bank raising the limit on short-term Treasury bills that Greek banks can buy, a move that would help avert a Greek national bankruptcy.

Americans see soft inflation in next few years: NY Fed survey

Americans expected only soft price inflation over the next few years, in part due to cheaper gasoline, according to a Federal Reserve survey last month that also found that purse strings were tightening across the nation.

The New York Fed's survey of consumer expectations, released on Monday, showed one-year ahead inflation expectations of 2.7 percent in April. This was down from 2.9 percent a month earlier and the lowest level since the web-based survey began in mid-2013. The median three-year ahead forecast was 3 percent, the second-lowest showing. The Fed is looking to raise interest rates later this year but wants to be sure that actual price inflation, which remains low, will rebound to its 2-percent target. The April jobs report showed only a modest rise in wages.

The New York Fed survey found lower gas price expectations. It also found expectations for household spending growth in the year ahead tumbled to a survey series low of 3.8 percent, which could signal fragile confidence in overall economic resilience.

However, Americans still expect strong earnings growth in the year ahead, while workers saw slightly lower chances of losing current their job.

Wall St. mixed on Greece, China worries; energy stocks down

Wall Street was mixed in morning trading on Monday amid worries about Greece's precarious financial condition and slowing growth in China, while energy stocks fell on weaker oil prices.

The U.S. stock market, which rallied on Friday on a strong jobs report, has been trading at historically expensive valuations, fueled by ultra-low borrowing costs.

"Even though the market closed up on Friday, more stocks were lower for the week and that points to weakness," said Paul Nolte, portfolio manager at Kingsview Asset Management in Chicago.

"We could see some sloppy action for the next couple of sessions."U.S. light crude CLc1 was down after rising for eight straight weeks, the longest winning stretch since early 2013, on signs that U.S. shale oil production was recovering.

Six of the 10 major S&P 500 sectors were up in late morning trading, but the energy index .SPNY was down 1.68 percent. Exxon Mobil (XOM.N), Chevron (CVX.N), ConocoPhilips (COP.N) were all down between 0.5 percent and 2 percent.
At 11:15 a.m. ET (1515 GMT) the Dow Jones industrial average .DJI was down 13.98 points, or 0.08 percent, at 18,177.13, the S&P 500 .SPX was down 1.12 points, or 0.05 percent, at 2,114.98 and the Nasdaq Composite .IXIC was up 5.97 points, or 0.12 percent, at 5,009.52.

Apple (AAPL.O) was the biggest drag on the S&P 500 and Nasdaq, with its shares down 1 percent at $126.68. Smartphone shipments in China shrank for the first time in six years, according to market research firm IDC.

European markets were under pressure as euro zone finance ministers met to discuss a cash-for-reforms deal for Greece, even though the country said it has made a payment of about 750 million euros ($836 million) to the IMF.

Asian shares rose on China's third rate cut in six months but U.S. markets focused on slowing growth in the world's largest-growing economy.

Rosetta Resources (ROSE.O) soared 25.6 percent to $24.27 after Noble Energy (NBL.N) said it would buy the company for about $2 billion in an all-stock deal. Noble shares down 7.3 percent at $45.75.

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.

Important Disclosures: