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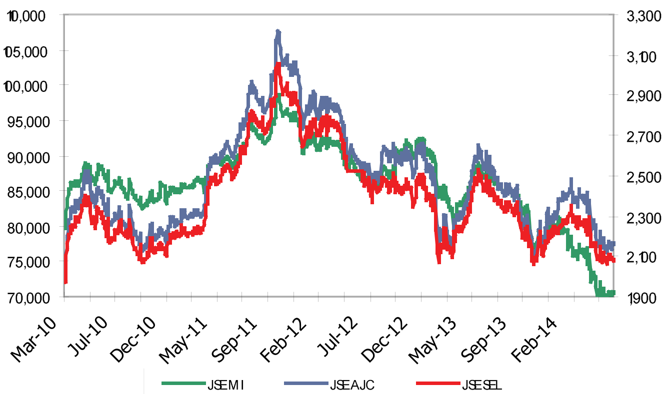
NCB Capital Markets Limited — Weekly Market Guide

June 15th 2015

Jamaican Stock Market



Weekly Movement in Indices

Indices	Closing Levels	Change
JSE Combined Index	99,230.69	-1,518.26
JSE Market Index	96,528.19	-1,560.35
All Jamaican Composite	106,831.50	-1,744.06
Jamaica Select Index	2,906.00	-89.04
JSE Cross Listed Index	499.06	-

Most Active Stocks

138 SL	12,202,200	27.02%
138 SL Pref Share	12,000,000	26.58%
CAR	4,291,901	9.51%

Top Winners & Losers This Week

	$ Change	% Change
Winner:PTL	$1.53	38.54%
Winner:KREMI	$0.50	37.04%
Loser:LASD	-$0.24	-14.29%
Loser:GENAC	-$0.28	-13.86%

Remittance-2014/15 Fiscal Year to February

For February 2015, net remittances were US$146.7Mn, a decline of US$5.1Mn relative to the corresponding period of 2014. The reduction in net remittances reflected an expansion in remittance outflows coupled with a decrease in gross remittance inflows. However this was not enough to negatively affect the outturn for the 2014/15 fiscal year to February. Net remittances stood at US$1,759.1Mn, an increase of 4.5% relative to the corresponding period of the last fiscal year. This growth reflected an increase in gross remittance inflows over the months.

Total remittance inflows for the review period were US$1,979.0Mn, up 4.2%, with inflows above the average of US$1,803.4Mn for the previous five corresponding periods. Growth in remittance flows to the island has been helped by improving economic fundamentals in the US such as increased GDP and lower levels of unemployment. In particular, growth in the US services sector, where Diaspora employment is concentrated, would have positively contributed to remittance inflows to Jamaica. US payroll saw the 12th successive month of job additions above 200,000 in January with increases in average hourly earnings. However it is likely that remittance inflows for subsequent periods such as April and May 2015 could be less favorable as data coming from the US, Jamaica's leading source market for remittances, indicate that the non-manufacturing sector lost some momentum in May.

Higher Expenses Squeeze JMMB's Earnings for 2015

Jamaica Money Market Brokers Ltd (JMMB) posted a 33.1% decline in total earnings for the 2014/15 financial year (FY2014/15) ended March 2015. Net profit totaled $2.05Bn (EPS: $1.18). The decline in profit was largely due to a falloff in earnings from its Dominican Republic subsidiaries. Despite the 8.6% increase in interest income, JMMB's growing interest expense resulted in net interest income coming in relatively flat at $5.26Bn as at the end of the financial year. More notably, JMMB managed to record an increase from all non-interest income revenue lines. Fee & commission income, net trading gains, fees from managed funds and foreign exchange gains moved up by 27.9%, 47.1%, 19.5% and 59.2%, respectively. Consequently, total operating revenue net of interest income was $10.32Bn which was $1.58Bn higher (+18.2%). On the costs side, an increase in staff costs coupled with a 92.2% increase in the amount paid out in asset tax and higher expenses from other operating costs pushed up operating expenses from

$5.67Bn in FY2013/14 to $7.79Bn. The Group's efficiency ratio deteriorated by 10.1 percentage points to 75%. As at the end of the 2015 financial year, return on equity was 9.8%.

At its current trading price of $7.50, JMMB's trailing P/E is 6.36X while its P/B is 0.58X.

Net International Reserves Continues at a High in May 2015

Net International Reserves were US$2,401.24Mn as at May 2015. This represents a 3.6% month over month increase and is the highest level registered since April 2011. Higher currency and deposits coupled with lower IMF liabilities were the primary drivers of the increase in NIR. The May 2015 outturn means that at current exchange rates the NIR can cover 20.80 weeks of goods and services imports.

JMD Money Market

JMD market liquidity conditions remained relatively unchanged week over week with no significant change in broker market rates.

There was minimal broker activity in the USD money market as liquidity conditions continue to be fair. Liquidity levels are expected to remain stable in the short-term.

Foreign Exchange Market

Selling	Close: 05/06/15	Close: 12/06/15	Change
J$/US$1	116.22	116.36	+$0.14
J$/CDN$1	93.05	95.28	+$2.23
J$/GBP£1	178.24	180.54	+$2.30

Increased end user demand resulted in the Jamaican dollar trading at a high of J$116.45:US$1.00 last week. On Friday, the weighted average selling rate was J$116.36:US$1.00. This represents a depreciation of 1.5% since the beginning of the year.

GOJ Globals

There were a lot of buyers of Jaman global bonds last week particularly the front end of the curve. Jaman 17s traded at 114.90, 192 at 112 and 25N at 113. Trading in JMD bonds was limited to retail size volumes.

Indicative Levels - GOJ Globals

	Bid	Offer	Offer Yield*
2017	114.000	115.500	2.73%
2019	111.000	112.500	3.61%
2021	109.000	111.000	4.90%
2022	128.000	130.000	6.04%
2025	121.000	123.000	6.20%
2036	113.000	115.000	7.10%
2039	111.000	113.000	6.86%

International News

The International Monetary Fund delegation has left negotiations on Greece's stalled debt talks in Brussels and flown home because of major differences with Athens. The surprise IMF move came as the EU told Greek Prime Minister Alexis Tsipras to stop gambling with his cash-strapped country's future and take the crucial decisions needed to avert a devastating default. The talks have been deadlocked over Greece's rejection of the creditors' demands for cuts in pensions and unpopular labor market reforms as conditions for releasing frozen bailout funds. Greece needs a deal to unlock aid before the end of the month when it is otherwise set to default on a €$1.6B repayment to the Washington-based IMF by the end of June. That could trigger capital controls and possibly push Greece out of the Eurozone, with unpredictable consequences for financial markets and the European economy. European stocks fell after the IMF comments.

In the US, sales are averaging just 0.1% since December and only 0.2% over the last 12 months as at the end of May. Without a strong showing from consumers, as a consumer-based economy, it is expected that the US economy will not fare well in the second quarter (Q2). Many Fed officials were confident the weakness at the start of the year would not carry over into Q2. However, as consumer spending remains modest at best along with still-stagnant business investment, it appears many of the themes at the start of the year have carried past March. Should growth fall short of 2% in Q2, coupled with a 0.7% decline at the start of the year, the US economy is poised for the worst first-half performance since the Great Recession. As the market waits with bated breath for next week's FOMC meeting (June 17), the World Bank has now joined the IMF in urging the Federal Reserve to hold off raising rates until next year. While a rate hike is not expected in June, the market continues to anticipate a rise in rates by September. The Fed has said they are ready to raise rates in 2015. However, that expectation is based on an arguably overly optimistic forecast of further improvement in the labor market, a bounce in overall economic activity and a near-term reversal in prices back towards the longer-term target of 2%.

Greece, creditors dig in after debt talks founder

Greece and its creditors hardened their stances on Monday after the collapse of talks aimed at preventing a default and possible euro exit, prompting Germany's EU commissioner to say the time had come to prepare for a "state of emergency".

Leftist Prime Minister Alexis Tsipras ignored pleas from Euro-

*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.

pean leaders to act fast. Instead he blamed creditors for Sunday's breakdown of the cash-for-reform talks, the biggest setback in long-running negotiations to unlock aid for Greece.

Athens now has just two weeks to find a way out of the impasse before it faces a 1.6 billion euro repayment due to the International Monetary Fund, potentially leaving it out of cash, unable to borrow and dangling on the edge of the currency area.

Germany and other creditor nations demanded that Athens come to its senses and offer new proposals.

"It won't work that Greece sets the terms and says 'everyone has to dance to our tune'. Greece needs to get back to reality," Volker Kauder, parliamentary floor leader of Chancellor Angela Merkel's conservatives, told ARD television.

Belgian Finance Minister Johan Van Overtveldt said the euro zone's credibility would be damaged and radical forces in other countries emboldened if past accords with Greece were changed.

The European Commission said it would only resume mediation efforts if Greece put forward new proposals, while the Greek government spokesman said Athens was sticking to its rejection of wage and pension cuts and higher taxes on basic goods.

"We have largely exhausted our limits," spokesman Gabriel Sakellaridis said. Tsipras' office said Greece was ready to restart talks at any time and was waiting for an invitation.

Despite the deepening crisis, Tsipras is going ahead with a planned visit to Russia from Thursday, the day euro zone finance ministers hold a crucial meeting to review the standoff with Greece. He is due to stay till Saturday, attend an economic forum in Saint Petersburg and meet President Vladimir Putin.

EU officials said that without improved Greek proposals by Thursday, the Eurogroup session would be very tough and was likely to present Greece with an ultimatum.

"No more new proposals; take it or leave it time is upon us, I think. Or very close." one euro zone official said.

While there was little outward sign of panic in Athens as Greeks held out hope for a last-minute solution - a familiar theme in five years of crisis - the latest impasse triggered a selloff in European and Asian shares and weighed on the euro.

Fed on track for September rate hike as economy picks up: Reuters poll

The U.S. Federal Reserve is on track to raise interest rates for the first time in nearly a decade in September, according to a Reuters poll that suggests economists now are mostly confident about that timing.

Debate over when the first hike will come has been one of the main drivers of global financial markets this year and those expectations have propped up the dollar, now in the midst of a historic rally since last June.

In a survey conducted over the past week, 37 of 55 economists said their conviction around the timing held steady over the past month, with 10 saying it had increased.

Despite continued tame inflation, news that the economy created 280,000 new jobs in May, along with an improvement in retail sales, has likely helped to cement the now well-established September view.

"Even though the rate of inflation is likely to be well below target, the Fed can justify raising interest rates in September," said Hugh Johnson, an independent economic adviser.

Financial markets will be watching the statement and press conference on Wednesday following the central bank's two-day meeting this week for confirmation of that view. Only 2 of 70 economists polled expect a rate hike this week.

The Fed cut its federal funds target rate to a range of zero percent to 0.25 percent in December of 2008.

The poll showed the fed funds target rate would be hiked to 0.375 percent by the end of the third quarter and further to 0.625 percent by end-December.

Among those surveyed, there was no clear consensus on whether the Fed will continue to set interest rates in a band or identify a fixed rate.

The Fed's last rate increase was in June of 2006.

The survey predicted the economy will likely grow at an annualized rate of 2.5 percent in the second quarter before picking pace to 3.0 percent between July to September after a mild contraction in the first few months of the year.

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.