CAPITAL MARKETS LIMITED

Weekly Market GUIDE

Annya Walker
AVP Research,
Strategic Planning
& Projects

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

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

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

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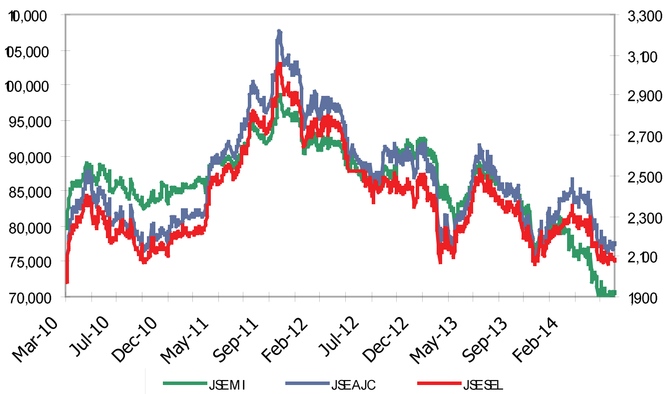
Jamaican Stock Market



Weekly Movement in Indices

Indices	Closing Levels	Change
JSE Combined Index	99,838.37	-483.48
JSE Market Index	97,646.21	-403.84
All Jamaican Composite	108,081.16	-451.39
Jamaica Select Index	2,892.59	+1.29
JSE Cross Listed Index	499.06	

Most Active Stocks

LIME	1,705,073	17.76%
LASM	1,089,953	11.36%
JMMB	1,057,161	11.01%

Top Winners & Losers This Week

	$ Change	% Change
Winner:KREMI	+$1.33	+23.88%
Winner:GLNR	+$0.25	+16.34%
Loser:KLE	-$0.15	-23.08%
Loser:KREMI	-$0.25	-15.63%

Economy Expands 0.4% in Q1 but Drought Dampens Forecasts

Data from the Statistical Institute of Jamaica (STATIN) indicate that during the first quarter of 2015 (Q1), the Jamaican economy grew by 0.4% when compared to the same quarter of 2014. This growth was due mainly to a 0.6% increase in the Services industries. All industries within the Services industries recorded increased levels of output with the exception of Electricity & Water Supply and Producers of Government Services which fell by2.8% and 0.1% respectively.

Increased output was recorded for: Hotels & Restaurants (+4.0%), Other Services (+1.5%), Transport, Storage &Communication (+0.9%), Real Estate, Renting & Business Activities (+0.4%),Wholesale & Retail Trade; Repairs; Installation of Machinery & Equipment (+0.3%) and Finance & Insurance Services (+0.2%).

Output for the Goods Producing industries declined by 0.4% due largely to a 0.6% reduction in Agriculture, Forestry & Fishing and a 2.0% decline in Manufacturing. The underperformance of the Agricultural industry was largely attributed to the severe drought conditions which continue to the affect the island.

During the period the Construction and Mining &Quarrying, however, grew by 1.3% and 0.6% respectively. The performance of the Construction industry reflected increased activities in building construction and civil engineering.

Of note, drought conditions also affected the Agricultural sector and economic growth outturn last year. Importantly, the 2.0% growth projection from S&P in the same review in which it upgraded Jamaica's credit rating to B from B-, banked on expectations of a recovery in the Agricultural sector due to improved weather conditions. Given reports that not only Jamaica, but the Caribbean is experiencing its worst drought in 5 years, it is likely that the sector will contract more significantly in subsequent periods. It will take a significant outperformance in sectors such as Tourism and Mining to bring growth pace pass the 0.4% recorded for 2014.

Moreover the Agricultural sector will likely be the source of inflationary pressures given the shortage of agricultural produce if conditions remain the same.

Jamaica's Records First Current Account Surplus in Over 10 years in March Quarter

Jamaica's current account deficit shrank by 17.5% to US$961.2Mn during the 2014/15 fiscal year. According to the most recent IMF Country Report, the current account deficit is estimated to be around 5.3% of GDP, coming from 8.5% in the 2013/14 fiscal year. The current account has benefitted from an improvement in all sub-accounts with the exception of the Primary income sub-account which deteriorated by US$70.2Mn. Despite a US$130.2Mn decline in exports, the Goods sub-account registered a 3.1% improvement in its deficit as the lower oil prices and a lower food import bill helped to reduce overall imports. Meanwhile, the Services sub-account improved by US$135.8Mn to US$737.6Mn.

For January to March 2015 there was a current account surplus of US$39.4Mn, representing an improvement of US$149.5 million relative to the corresponding period in 2014. This is the first quarter recording a surplus in over 10 years (since March 2004). Further, the outturn for the review quarter represents a continuation of the improvement in the Current Account for the March quarters since 2013. This surplus was largely due to an improvement in the Goods & Services sub-accounts. This as, imports declined more than the contraction in exports.

Based on recent trends, we expect the trade gap to continue shrinking in FY2015/16, owing predominantly to lower global oil prices and sluggish import demand. Additionally, sustained growth in service exports such as tourism and stronger remittances are expected to have a positive impact on the country's current account deficit. Already, we have seen monthly remittances as at March 2015 at a 5 year high when compared to the same month in previous years. Meanwhile total stopover tourist arrivals increased by almost 4.9% from January to April 2015 and are expected to grow even further during the booming tourist season. The improvements in these indicators bode well for the current account for the rest of the fiscal year.

JMD Money Market

JMD liquidity conditions improved marginally last week as a result of interest inflows in excess of J$1B from the GOJ 2020 VR which was offset by the BOJ's FX market intervention. Despite the improvement, demand for JMD funds continues to be elevated. Conditions are not expected to change considerably in the this week.

USD market liquidity received a boost last week from the maturity of the Air Jamaica 9.375% 2015 Globals. As a result, market liquidity levels continue to be fair.

Foreign Exchange Market

Selling	Close: 03/07/15	Close: 10/07/15	Change
J$/US$1	117.07	117.14	+$0.07
J$/CDN$1	92.94	92.28	-$0.66
J$/GBP£1	182.60	180.85	-$1.75

The market was fairly quiet during the course of last week. However, the BOJ intervened in the market at an intervention rate of J$117.04:US$1.00 for resale at $117.09:US$1.00. On Friday, the weighted average selling rate stood at J$117.14:US$1.00 depreciation of $0.04 week on week.

Net International Reserves declined by US$284.73Mn to US$2116.51Mn as at June 2015. Though this is not the lowest outturn recorded since the beginning of the year, this is the first month over month decline in NIR since the start of 2015. Foreign assets declined by 9.2% as the government intervened in the market in June to help shore up supply imbalances in the foreign exchange market. At its current levels, NIR can cover 19.83 weeks of goods and services imports, which is comfortably above the 12 week international benchmark.

GOJ Globals

Jaman global bond trading activity was very robust last week with lots of local and international interest. The 25N dominated activity trading at 113 while 17s traded at 114.50, 19s at 112.85, and 36s at 115. Demand for JMD FR bonds has been building however there are very few sellers of large blocks at this time.

Indicative Levels - GOJ Globals

	Bid	Offer	Offer Yield*
2017	114.250	116.250	2.00%
2019	112.000	113.500	3.14%
2021	109.000	111.000	4.80%
2022	128.000	130.000	5.99%
2025	123.000	125.000	5.96%
2036	114.500	115.500	7.06%
2039	112.000	114.000	6.78%

International News

The Greek government surrendered to demands from its creditors for severe austerity measures in return for a modest debt write-off, raising hopes that a rescue deal could be signed at an emergency meeting of EU leaders on Sunday. Athens has put forward a document detailing reforms and public spending cuts worth €13B with the aim of securing a third bailout from creditors that would raise €53.5B and allow it to stay inside the currency union. A cabinet meeting signed off the reform package after ministers agreed that the dire state of the economy and the debilitating closure of the country's banks meant it had no option but to agree to almost all the creditors' terms. Parliament is expected to endorse the package after a frantic few days of negotiation that followed a landmark referendum last Sunday in which Greek voters backed the radical leftist Syriza government's call for debt relief. Syriza, which is in coalition with the rightwing populist Independent party, is expected to meet huge opposition from within its own ranks and from trade unions and youth groups that viewed the referendum as a vote against any austerity.

Emphasizing the likelihood of further strife in Greece next week even should a deal be concluded, Brussels officials talked privately of plans to fly in humanitarian aid such as food parcels and medicines to major cities. The urgency of Greek efforts to prevent an exit from the euro came after Brussels set a midnight Thursday deadline for Greece to produce a package of measures in line with previous demands. The new proposals include sweeping reforms to VAT to raise 1% of GDP and moving more items to the 23% top rate of tax, including restaurants – a key battleground before. Greece has also dropped its opposition to abolishing the lower VAT rate on its islands, starting with the most popular tourist attractions. Athens also appears to have made significant concessions on pensions, agreeing to phase out solidarity payments for the poorest pensioners by December 2019, a year earlier than planned. It would also raise the retirement age to 67 by 2022. And it has agreed to raise corporation tax to 28%, as the IMF wanted, not 29%, as previously targeted. Greece is also proposing to cut military spending by €100M in 2015 and by €200M in 2016, and implement changes to reform and improve tax collection and fight tax evasion. It will also press on with privatization of state assets including regional airports and ports. Some government MPs had vowed to reverse this. In return, Greece appears to be seeking a three-year loan deal worth €53.5B.

*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.

Greece faces tough conditions under deal with euro zone

Euro zone leaders made Greece surrender much of its sovereignty to outside supervision on Monday in return for agreeing to talks on an 86 billion euros ($95 billion) bailout to keep the near-bankrupt country in the single currency.

The terms imposed by international lenders led by Germany in all-night talks at an emergency summit obliged leftist Prime Minister Alexis Tsipras to abandon promises of ending austerity and could fracture his government and cause an outcry in Greece.

"Clearly the Europe of austerity has won," Greece's Reform Minister George Katrougalos said.

"Either we are going to accept these draconian measures or it is the sudden death of our economy through the continuation of the closure of the banks. So it is an agreement that is practically forced upon us," he told BBC radio.

Greece however aims to reopen its banks on Thursday, bankers said. Facing a wave of withdrawals, the banks closed two weeks ago.

If the summit on Greece's third bailout had failed, Athens would have been staring into an economic abyss with its banks on the brink of collapse and the prospect of having to print a parallel currency and exit the euro.

"The agreement was laborious, but it has been concluded. There is no Grexit," European Commission President Jean-Claude Juncker told a news conference after 17 hours of bargaining.

He dismissed suggestions that Tsipras had been humiliated even though the summit statement insisted repeatedly that Greece must now subject much of its public policy to prior agreement by bailout monitors.

"In this compromise, there are no winners and no losers," Juncker said. "I don't think the Greek people have been humiliated, nor that the other Europeans have lost face. It is a typical European arrangement."

Tsipras himself, elected five months ago to end five years of suffocating austerity, said he had "fought a tough battle" and "averted the plan for financial strangulation".

U.S. stocks rise on Greek deal; Dow in the black for the year

U.S. stocks were higher on Monday, with the Dow Jones industrial average moving into positive territory again for the year, after euro zone leaders reached an agreement with Greece to move forward with a bailout loan for the country to avert bankruptcy.

The news also put the Nasdaq composite and the S&P 500 on track for their biggest gain in more than two weeks, with the consumer discretionary and financial indexes leading the markets higher.

Greece won conditional agreement to receive a possible $95 billion over three years, along with an assurance that euro zone finance ministers would start discussing ways to bridge a funding gap until a bailout – subject to parliamentary approvals – is finally ready.

That will only happen if Greek Prime Minister Alexis Tsipras can meet a tight timetable for enacting unpopular reforms of value added tax, pensions and quasi-automatic budget cuts.

"The U.S. market is following the global markets as Greece nears a deal," said Peter Cardillo, chief market economist at Rockwell Global Capital in New York.

"The stronger Chinese markets are also helping but volatility will be high this week till a Greek deal is finalized and the big banks set the tone for earnings."

World markets rose, while the dollar index .DXY gained 0691 percent to $96.69 against a basket of major currencies following news of the deal. Chinese stocks rose for a third straight day as data showed exports rose while imports slipped in June, a tentative sign global demand might be on the mend.

At 10:52 a.m. ET the Dow Jones industrial average .DJI was up 196.22 points, or 1.1 percent, at 17,956.63. The S&P 500 .SPX was up 18.8 points, or 0.91 percent, at 2,095.42 and the Nasdaq composite .IXIC was up 60.18 points, or 1.2 percent, at 5,057.88.

All the 10 major S&P 500 sectors were higher. The consumer discretionary index's .SPLRCD 1.24 percent rise led the gains.

Financial stocks were also higher with the index .SPSY gaining 0.99 percent, following the Greek debt deal. Big banks such as JPMorgan (JPM.N), Bank of America (BAC.N), Citigroup (C.N) were all up more than 1 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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