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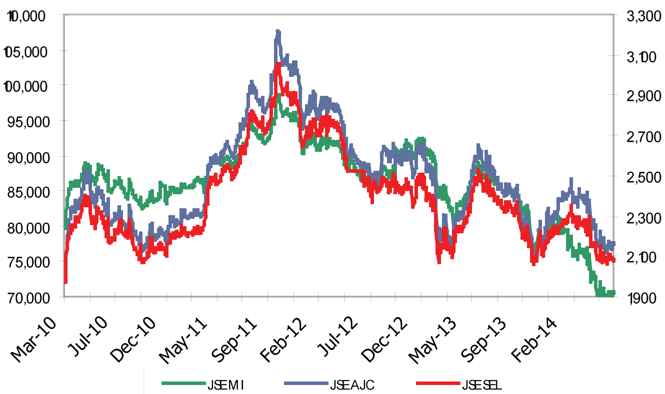
Weekly Market GUIDE

July 27th 2015

Jamaican Stock Market



Weekly Movement in Indices

Indices	Closing Levels	Change
JSE Combined Index	100,020.21	+279.89
JSE Market Index	97,950.24	+593.34
All Jamaican Composite	108,420.98	+663.19
Jamaica Select Index	2,912.27	+9.91
JSE Cross Listed Index	499.06	-

Most Active Stocks

JMMB	10,796,325	28.87%
JBG	8,340,287	22.30%
LIME	4,409,784	11.79%

Top Winners & Losers This Week

	$ Change	% Change
Winner:CCC	+1.74	26.98%
Winner:AFS	+1.66	14.95%
Loser:DCOVE	-2.07	-17.25%
Loser:HL	-2.00	-11.76

Jamaica Taps International Market

Following the last debt issue in July 2014, the Government of Jamaica (GOJ) has again proven its ability to tap into the international capital market following improved performance on the fiscal and economic front and increased investor confidence. GOJ recently issued US$2Bn in bonds in order to pay down debt owed to Venezuela's state-owned oil company, Petroleos de Venezuela (PDVSA) under the PetroCaribe program. The offering included $1.35Bn 6.75% bonds due 2028 and also $650Mn 7.875% bonds due 2045.The buyback of debt owed to PDVSA comes only seven months after DOMREP negotiated a similar deal where it redeemed $4.1Bn in accumulated debt with PDVSA at a 52% discount.

While complete details of the deal have not been fully revealed, it is estimated that the agreement will see Jamaica buying back a portion of its PetroCaribe debt for US$1.5Bn, or an estimated discount of 51%. Among the most significant elements of the deal is what it will do to the debt to GDP ratio. In the filing with the Securities Exchange Commission in the US, it is indicated that if the deal was executed at the end of March 2015, the total debt, would have been 10.4 percentage points below the 136.7% of GDP ratio recorded at that time. Such as deal is considered significant as it will place the country on an accelerated path towards achieving its debt to GDP target under the IMF agreement of 100.6% by FY2019/2020.

Sagicor Life Inc. Looks to Issue New Bond

Barbados-based life insurer Sagicor Life intends to issue an estimated US$320Mn in senior notes through its Sagicor Finance affiliate in the upcoming weeks. It is expected that the company will use the proceeds from this bond to refinance its outstanding obligations due in 2016. Sagicor Finance is simply a shell company which does not generate any revenues or owns any assets and its sole purpose is to facilitate the issuance of these notes. The bond will be fully guaranteed by Sagicor Life Inc. Sagicor Life is currently rated "BB-" while the rating on the Sagicor Finance and by extension the notes, is rated "B" by the Standard & Poor's Ratings Service. The lower rating on the notes is premised on the subordination of the notes to policyholders' obligations. The company is affected by ratings actions on Barbados given the large exposure to the Barbadian economy. Despite the fact that the company's fundamentals are strong, the ratings on Sagicor Life cannot go above two notches (levels) of the Barbados rating (currently rated at "B-"). Management noted intentions to relocate its headquarters to an investment grade Sovereign in avoid further downgrades given recent rating actions on Barbados.

Sagicor Life's financial profile remains strong. Though the company faced some headwinds on the revenue side, a decline in benefits paid resulted in a notable increase in net profits for the financial year ended December 2014. Lower gross premium written led to total revenues remaining relatively flat year over year at US$1,045.2Mn. However, total benefits moved down by 8.5% to US$542.2Mn. Net income from continuing operations for the year was US$100.3Mn, a 26% increase when compared to the 2013 financial year. The company also started off the 2015 financial year on a positive note. Total revenue improved by 3.8% to US$271.6Mn during the first three months of 2015. Benefits paid continued on a downtrend from US$156.1Mn in Q1 2013 to US$147.8Mn. However, total expenses climbed on account of the acquisition of RBC ,Royal Bank's Jamaica banking operations in June 2014. Consequently, overall net income after accounting for the loss from the discontinued UK operation was 38.6% higher at US$6.1Mn.

The company has competitive advantage supported by its dominant presence in the Caribbean and its strong brand equity. It is expected that Sagicor's sound market position and strong market share in most of its markets augur well for continued improvement in its financial and operating performance in the future.

NCBJ Earnings Release

For the nine month period ended June 2015, NCBJ reported earnings of $8,553Mn (EPS:$3.48), down 4.6% relative to the corresponding prior year period. The falloff in earnings reflected higher income tax expenses.The results were also impacted by the adoption of International Financial Reporting InterpretationCommittee (IFRIC) 21 where the asset tax is no longer eligible to be accounted for on a periodic accrual basis, but must be recorded in full when triggered. This expense was reflected in higher operating expenses. The full liability of the asset tax expense was recorded in the first quarter all entitieswith the exception of the insurance companies (NCB Insurance Company Limited and Advantage General Insurance Company Limited), whose full liability for asset tax was expensed on January 1, 2015.

Net interest income for the Group, increased by 5%, or $834Mn, primarily due to growth in the net loan portfolio. Higher f gains from the sale of debt securities and foreign exchange income compared to the prior year pushed FX gains and investments activities up by 72.3%. Premium income from the company's insurance subsidiaries positively contributed to the outturn, growing by 9.5% to $5,701Mn.

Operating income increased by 10.8% to $35,316Mn during the review period which was helped by growth in its core business as well as improvement in non-interest income sources. There was a mixed bag in terms of performances from the various business segments, which saw four out of six segments recording growth in operating profit. Both the Consumer &SME and the group's Wealth & Investment Banking Division posted declines.

Operating expenses for the period stood at $24,076Mn (+12.0%) primarily as a result of asset tax charges and irrecoverable taxes. Marketing and advertising costs arising from additional media also contributed to the increase in costs. The group's cost to income ratio deteriorated marginally from 63.7% to 63.9%.

JMD Money Market

The Bank of Jamaica opened another 1- and 2-yr VR CD issue on Monday, July 20th with initial coupons of 6.50% and 7.00%, respectively. The issues, which will close on Monday, July 27, 2014, had a combined take-up of J$951M at the end of trading on Friday.

JMD market liquidity conditions showed no signs of improvement this week as liquidity levels continued to be depressed. Given limited inflows in this week, liquidity levels are not expected to improve significantly.

There was increased demand for USD funding from the broker market in the latter part of the week due to the Government of Jamaica's issue of US$2B in Global Bonds. Demand is expected to remain elevated for short to medium term

Foreign Exchange Market

Selling	Close: 17/07/15	Close: 24/07/15	Change
J$/US$1	117.43	117.39	-$0.04
J$/CDN$1	90.56	89.78	-$0.78
J$/GBP£1	182.85	181.92	-$0.93

The BOJ intervened in the market four times during the course of the week and a total of six times during the month of July. The intervention last week stemmed from the swift depreciation of the JMD which continued from the prior week. Between July 15th and 16th, the dollar lost $0.13. Demand for the hard currency during the week of July 20th was also influenced by the two recently issued GOJ bonds.

Indicative Levels - GOJ Globals

	Bid	Offer	Offer Yield*
2017	114.000	115.750	2.09%
2019	112.250	113.250	3.17%
2021	109.000	111.000	4.77%
2022	128.000	130.000	5.96%
2025	122.500	124.500	6.00%
2036	115.500	117.500	6.89%
2039	114.000	116.000	6.62%

International News

New U.S. single-family home sales fell in June to a seven-month low and May's sales were revised sharply down, but the data did little to change the belief that the housing market recovery was shifting into higher gear. June's surprise decline and the May revisions also are at odds with other housing data that have shown strong momentum. New home sales dropped 6.8% the lowest level since last November. May's sales pace was cut to 517,000 units from the previously reported 546,000 units. Despite two straight months of declines in new home sales, the market is still considered to be relatively intact as compared to June of last year, new home sales are up by 18.1%. Housing is being supported by a good labor market, which has unleashed demand from young adults. Government efforts to ease lending conditions for first-time buyers through mortgage finance firms Fannie Mae and Freddie Mac have also helped.

The global economy started the second half of the year on shaky ground with China's factory sector activity contracting in July at the fastest pace in 15 months and euro zone manufacturing weaker than expected, although U.S. activity picked up. The decline in the purchasing managers indices (PMI) for the manufacturing sector came after Beijing indicated that it would allow its yuan currency to fluctuate more widely within its trading band as a way to support trade and despite the European Central Bank's 60 billion euro a month bond-buying program

U.S, UK growth in focus as Greece crisis pauses

A meeting of the U.S. Federal Reserve and the first estimate of U.S. second-quarter growth are likely to be this week's economic centerpieces with markets able for the first time in months to look beyond Greece's debt struggle.

After a series of emergency euro zone meetings, Greece has received a bridge loan of 7.2 billion euros ($7.9 billion) and passed a series of measures designed to persuade international creditors to agree a third bailout of 86 billion euros. Those talks are likely to come to a head in August.

In the meantime, the Fed's rate-setting Open Market Committee meets on Tuesday and Wednesday. Economists do not expect a rate rise until September when the central bank plans a news conference, unlike July when only a statement is planned.

*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.

Fed Chair Janet Yellen has warned, however, that "every meeting is live", with a decision possible at any time.

The policymakers will probably already have a steer on U.S. gross domestic product in the second quarter, a first estimate of which will be published on Thursday. The economy is seen returning to growth, of 2.7 percent, after a contraction in a weather-hit first three months.

Weak retail sales and a disappointing employment report in June and May's sharp drop in business confidence have raised concerns the world's biggest economy is slowing. But a fifth monthly rise in consumer prices in June and strong housing data could support a monetary policy tightening.

"I think GDP will be good enough not to derail a September rate hike," said Rob Carnell, chief international economist at ING. "I think you'd really need to have bad data to affect the story even with inflation not really evident."

SPLIT SEEN OVER UK RATE HIKE

In Britain, data on Tuesday is expected to show Europe's second-largest economy recovered from a surprise slowdown in early 2015 and grew by a quarterly 0.7 percent in the April-June period, back to the kind of pace seen at the end of last year.

Britain is on course to expand at a faster pace than other rich economies for a second year in a row but its recovery remains heavily reliant on consumers, rather than manufacturers.

A widely watched consumer confidence survey is predicted to show optimism dipping slightly in July but remaining close to its highest levels in more than 15 years. Data from the Bank of England on Wednesday is expected to show mortgage approvals hitting their highest levels in more than a year.

The Bank of England meets the following week, with no rate change expected then, although the vote could expose the first split this year within the Monetary Policy Committee. New forecasts for the economy are likely to pave the way for a rate hike in early 2016 or possibly even late 2015.

With a pause in the Greek crisis, the stand-out event in the euro zone will be the first estimate of inflation, due on Friday. It is seen steady at 0.2 percent, after early expectations of a slight rise to 0.3 percent.

Chinese shares tumble 8.5 percent in biggest one-day drop since 2007

Chinese shares slid more than 8 percent on Monday as an unprecedented government rescue plan to prop up valuations ran out of steam, throwing Beijing's efforts to stave off a deeper crash into doubt.

Major indexes suffered their largest one-day drop since 2007, shattering three weeks of relative calm in China's volatile stock markets since Beijing unleashed a barrage of support measures to arrest a slump that started in mid-June.

"The lesson from China's last equity bubble is that, once sentiment has soured, policy interventions aimed at shoring up prices have only a short-lived effect," wrote Capital Economics analysts in a research note reacting to the slide.

The CSI300 index .CSI300 of the largest listed companies in Shanghai and Shenzhen tumbled 8.6 percent to 3,818.73 points, while the Shanghai Composite Index .SSEC lost 8.5 percent to 3,725.56 points.

China's market gyrations have stoked fears among global investors about the broader health of the world's second biggest economy, hitting prices of growth-sensitive commodities such as copper, which fell on Monday to not far from a 6-year low. [MET/L]

But, while the recent stock market weakness will have caught out many retail investors and companies who jumped in as stocks more than doubled in a year, the low rate of stock ownership by households and a disconnect between valuations and economic fundamentals mean the impact on the economy is likely to be less than in other markets.

FUTURES TUMBLE

Stocks fell across the board on Monday, with 2,247 companies falling, leaving only 77 gainers.

More than 1,500 shares listed in Shanghai and Shenzhen dived by their 10 percent daily limit, led by index heavyweights including China Unicom (600050.SS), Bank of Communications (601328.SS) and PetroChina (600028.SS).

All traded index futures contracts also fell by their maximum 10 percent limit, with the exception of a few tracking the large cap SSE50 index, which declined around 9 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.