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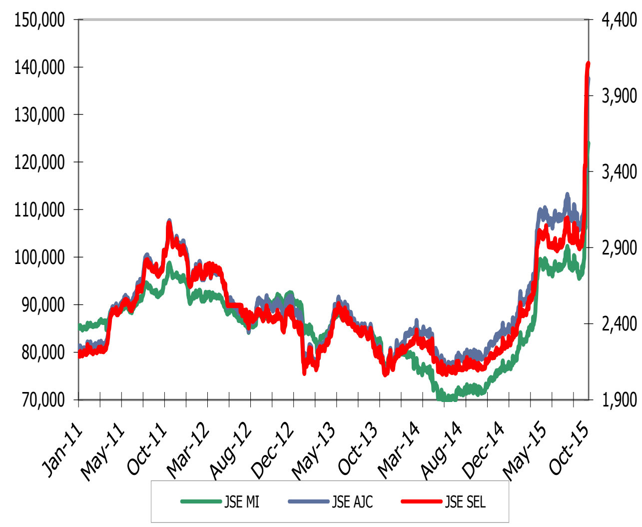
Jamaican Stock Market



Weekly Movement in Indices

Indices	Closing Levels	Change
JSE Combined Index	135,783.04	+7,024.36
JSE Market Index	131,284.04	+7,304.62
All Jamaican Composite	145,673.61	+8,163.33
Jamaica Select Index	4,312.01	+200.80
JSE Cross Listed Index	499.06	-

Most Active Stocks

	Units Traded	%
LIME	14,505,942	28.81%
CBNY	5,608,999	11.14%
SJ	4,048,681	8.04%

Top Winners & Losers This Week

	$ Change	% Change
Winner: LIME	$0.45	54.88%
Winner: PUL	$0.29	52.73%
Loser:GENAC	-$0.47	-$21.66%
Loser: AFS	-$2.31	-18.19%

Fiscal Performance to September 2015

The Central Government has been performing creditably since the start of FY2015/16. Of special note is the fact the government has been meeting its tax revenue targets over the last few months, which was a major area of underperformance in the prior year. For the first six months of the fiscal year, tax revenues amounted to $195.0Bn, being ahead of budget by 2.6% and also exceeding the IMF's tax revenue floor of $175Bn. The outturn was helped by higher tax revenues from income and profits, which exceeded budget by 6.6%, and favorable outturn from production and consumption and international trade. Initiatives implemented to strengthen the tax system coupled with the new tax measures at the start of the year would have helped to boost revenue receipts. For the period, revenue and grants amounted to $212.4Bn, but was only 0.2% ahead of budget. This outturn would have been more impressive had it not been for the underperformance of non-tax revenues, bauxite levy, capital revenue and grants which trailed target.

Expenditure totaled $226.5Bn and was 5.7% behind projections. Within the context of higher revenues and lower than budgeted expenditure, the fiscal deficit outperformed, falling to $14.0Bn or 50.4% below the budgeted outturn for the period. The primary balance was $50.8Bn, which was 58.8% higher than the IMF's floor of $32.0Bn and 27.1% higher than Central Government's target.

The improvement in the fiscal position is commendable as continuance of this trend places the government on a steady path towards meeting its fiscal targets under the IMF program, lowering the fiscal deficit to GDP and also reducing the need for external funding. Efforts to keep expenditure contained was also reflected in the recent signing of a two-year wage agreement with the Jamaica Confederation of Trade Unions (JCTU), a confederation of 12 unions, and with the Jamaica Teachers' Association (JTA), covering 80% of all public sector employees. Based on the benchmark agreement with the JCTU and JTA, the wage bill is projected at 10.1% of GDP in FY2015/16. For FY2016/17, the government remains committed to lowering its wage bill to 9% of GDP, which is a major milestone under the IMF agreement

Dolphin Cove Records Slim Growth in Nine Months Earnings

Dolphin Cove (DCOVE) continues to register strong earnings during the 2015 financial year. For the nine month period ended September 2015, Dolphin Cove recorded a 3.9% increase in earnings. Net profit was $411.9Mn (EPS: $1.05). Earnings growth was supported by an increase both its dolphin attraction and ancillary services revenue streams. There was a reduction in hotel guests to the Group's Ocho Rios entity which was offset by robust growth in visitors to its Hanover and Half Moon Parks operations. Consequently, total sales moved up by $68Mn (+5.1%) to $1,401.9Mn ($1.4Bn). Most notably, Dolphin Cove's effective cost management led to a reduction in cost of sales throughout the period. As such, gross profit margin improved by 130 basis points to 92.7%. On the cost side, the revaluation of the Group's building and salary increments led to a 6.7% increase in total operating expenses. Despite an increase in net finance income due to lower finance costs, net profit margin moved down slightly from 29.7% for the nine month period in 2014 to 29.4% in the corresponding 2015 period.

On a forward looking basis the company is poised for further growth given its recent investment in an attraction at the Moon Palace Jamaica Grande Hotel in Ocho Rios. Additionally, expansion plans into countries such as St. Lucia and Turks & Caicos, though slow, bodes well for future financial performance. At its current price of $12.30, DCOVE's trailing P/E is 10.61X while P/B is 1.76X.

Caribbean Cement Company "Solidifies" Earnings

Since landing huge contracts in the Jamaican market, Caribbean Cement Company (CCC) seems to have finally found a way to solidify improvements in its core earnings. Net profit for the nine month period to September 2015 was $1.49Bn (EPS: $1.75) relative $24.92Mn last year. The significant increase in net profit was driven by a 9.5% growth in sales to $11.76Bn. Revenues have benefitted from higher clinker exports and an increase in domestic sales. Since the beginning of the year, Carib Cement secured large-scale deals such as a recent contract to supply cement for use in the current construction of a 46-kilometre stabilisation stretch of the north-south leg of Highway 2000 as well as deals to provide cement and associated materials for the 640 room expansion of the Bahia Principe Hotel and 460 rooms for student accommodations being constructed at the University of the West Indies. Most notably, the cement manufacturer was able to preserve a larger fraction of its revenues due to lower fixed costs and improved operational efficiencies. This, as a steady reduction in energy costs and lower oil prices has contributed to lower operating costs. Consequently, with operating profit of $1.68Bn as at the end of September 2015, operating margin improved from 2.5% in 2014 to 14.3%. Additionally, the company registered savings from its financial restructuring initiatives which resulted in prepayments of approximately US$800Mn in long-term debt which reduced interest expenses by 38.7% to $120.08Mn. Moreover, the successful refinancing of the debt also yielded $167.79Mn in net debt restructuring gain which went straight to the company's bottom line. Overall net profits were further aided by $216.19Mn in tax credit to Carib Cement.

Going forward higher domestic sales, an improvement in exports will drive better financial performance from the company as well as focus on efficiency will continue to drive the turnaround in Carib Cement's performance. At a current price of $17.75, the trailing P/E is 9.44X while P/B is 2.37X.

JMD Money Market

JMD short-term broker market rate continue to be elevate last week as market liquidity levels remained severely constrained.

USD market conditions were relatively unchanged week over week. However, the local market is expected to receive a significant boost on Tuesday, November 3rd from the early repayment of US$99M in BOJ CDs. As a result, broker market rates are expected to decline in this week.

Foreign Exchange Market

Selling	Close: 23/10/15	Close: 30/10/15	Change
J$/US$1	119.68	119.83	+$0.15
J$/CDN$1	182.42	182.58	+$0.16
J$/GBP£1	92.22	90.58	-$1.64

Demand for the USD rebounded last week, following the prior week's intervention by the BOJ which mopped up JMD liquidity and moderated the demand for the greenback. The dollar was quoted as high as $120.10 and as low as $119.65. The dollar closed at a weighted average selling rate of 119.83 which represented a week-on-week depreciation of $0.15 relative to the $0.09 depreciation in the prior week. The pace of depreciation is likely to accelerate in coming weeks as the Christmas season approaches and retailers stock up on inventory.

GOJ Global Bonds

Trading activity in Jaman global bonds was limited as most investors flocked to the 28s which had very limited supply. The limited supplies of 28s resulted in prices reaching as high as 102.50 while we saw trading in 19s at 110 and 39s at 107.75.

Indicative Bond Prices

	Bid	Offer	Offer Yield*
2017	109.000	111.000	3.59%
2019	109.000	111.000	3.57%
2021	107.750	109.000	5.16%
2022	125.500	127.500	6.21%
2025 (N)	108.500	110.500	6.05%
2025	118.500	120.500	6.43%
2028	100.500	102.500	6.45%
2036	111.250	113.250	7.24%
2039	107.250	109.250	7.16%
2045	100.500	101.500	7.74%

International News

Weak U.S. data has clouded December rate hike possibility. U.S. consumer spending in September recorded its smallest gain in eight months as personal income barely rose, suggesting some cooling in domestic demand after recent hefty increases. Data from the Commerce Department showed weak inflationary pressures, which would argue against the Federal Reserve raising interest rates at the end of the year. It will be difficult for the Fed to justify a rate hike at a time when income, consumption, and inflation are trending lower, leaving a December rate hike less likely than prior to the data. However a factor that could influence the Fed's interest rate decision lies in the jobs report which will be released next week.

In Europe, Euro-area consumer prices halted a decline in October as the European Central Bank stepped up preparations for more stimulus. The region's inflation rate rose to zero from -0.1% the previous month. Unemployment decreased to 10.8% in September from a revised 10.9%. ECB President Mario Draghi has all but promised to ease monetary policy in December. While he acknowledged that domestic demand remains resilient, concerns over a slowdown in emerging markets, a stronger euro and potential repercussions from a drop in oil prices continue to signal downside risks to the growth and inflation outlook.

Canada Economic Optimism Hits 1-Year High After Trudeau Victory ("Bloomberg")

Consumer optimism in Canada continues to rise on the heels of a Liberal majority election win last month, with expectations for the strength of the economy and real estate market hitting a one-year high, polling conducted last week by Nanos Research shows.

The Bloomberg Nanos Canadian Consumer Confidence Index rose to 57.9, the most-optimistic reading in 2015. The Expectations sub-index, based on questions about the economy and real estate, reached 56.5, the strongest since October 2014.

Justin Trudeau's Liberal Party won a majority victory in Canada's Oct. 19 election, spurring gains in consumer sentiment. The Bloomberg Pocketbook Index, another subcategory based on questions about personal finance and job security, rose to an eight-week high.

*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.

"Perceptions related to job security and the future strength of the Canadian economy are realizing positive pressure in the period initially following the Liberal majority win in the recent Canadian election," Nanos Research Group Chairman Nik Nanos said.

There are still warning signs, however, amid Canada's sluggish economy. Nanos polling found only 14.1 percent of respondents say their personal finances are better off than a year ago, the lowest since tracking began in 2008.

Yet 26.2 percent of respondents see the Canadian economy growing stronger in the next six months, the highest share since the first quarter of 2013. Only 21.9 percent see the economy weakening in the next six months, the lowest share since October, 2014.

That optimism was tempered by expectations the real estate market will stagnate, with 48.2 percent saying they don't expect any change in home prices in their neighborhood in the next six months, an increase over recent weeks and the highest level since August.

Greek Banks Face $15.9 Billion Bill After Economic Debacle ("Bloomberg")

Greece's four main banks must raise 14.4 billion euros ($15.9 billion) in fresh capital, the European Central Bank said, as investors and taxpayers face the cost of repairing the damage from six months of wrangling between the nation's government and its creditors.

An asset-quality review carried out by the ECB resulted in valuation adjustments of 9.2 billion euros for the National Bank of Greece SA, Piraeus Bank SA, Eurobank Ergasias SA and Alpha Bank AE, the Frankfurt-based supervisor said Saturday in a statement. The banks' capital gap amounted to 14.4 billion euros under a simulated stress test scenario, and 4.4 billion euros under baseline macroeconomic assumptions. The four banks will have to submit recapitalization plans to the ECB's supervisory arm by Nov. 6.

"Covering the shortfalls by raising capital would then result in the creation of prudential buffers in the four Greek banks, which will facilitate their capacity to address potential adverse macroeconomic shocks," the ECB said in the statement, adding that a minimum of 4.4 billion euros, corresponding to the AQR and baseline shortfall, is expected to be covered by private means.

Fed Considers December Rate Rise, Sees 'Moderate' Expansion ("Bloomberg")

Federal Reserve policy makers said they will consider tightening policy at their next meeting in December, without making a commitment to act this year, as the economy continues to expand at a "moderate" pace.

Even with a slower pace of recent job gains, "labor market indicators, on balance, show that underutilization of labor resources has diminished since early this year," the Federal Open Market Committee said in a statement Wednesday following a two-day meeting in Washington.

The Fed removed a line from September's statement saying that global economic and financial developments "may restrain economic activity somewhat," saying Wednesday only that the central bank is monitoring the international situation. The committee also added a reference to the possibility of increasing the rate "at its next meeting" based on "realized and expected" progress in reaching goals.

Treasuries fell after the announcement as investors marked up the possibility of tightening this year. The yield on the benchmark 10-year note was at 2.09 percent at 3:30 p.m. in New York compared with 2.04 percent late Tuesday.

U.K. Economy Expands Less Than Forecast as Production Cools ("Bloomberg")

U.K. economic growth cooled as manufacturing contracted for a third quarter and construction shrank the most since 2012, a sign that Britain may be falling prey to global headwinds.

The slowdown to 0.5 percent in the three months through September from 0.7 percent was sharper than economists had forecast. The Office for National Statistics said construction shrank 2.2 percent in the quarter and manufacturing contracted 0.3 percent, while overall production growth cooled to 0.3 percent from 0.7 percent. The report may signal that the emerging-market slowdown has damaged prospects for Britain's expansion, and Chancellor of the Exchequer George Osborne said it shows the U.K. faces "clear global risks." Bank of England Governor Mark Carney, who has previously said the timing for the first step to tighten policy will become clearer around the turn of the year, said Sunday that if increases aren't needed, officials won't act.

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