

Annya Walker
AVP Research,
Strategic Planning
& Projects

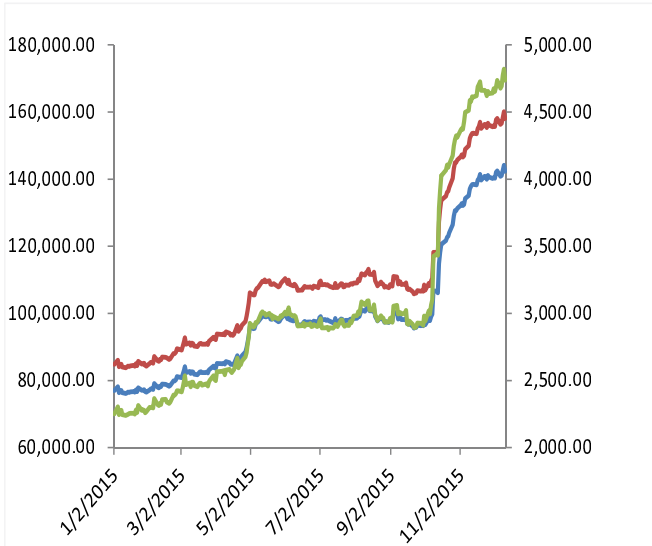
Shaneka Wynter
Research Analyst
Tel: 935-2763
wyntersy@jncb.com

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

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

December 14th 2015

Jamaican Stock Market



Weekly Movement in Indices

Indices	Closing Levels	Change
JSE Combined Index	148,772.50	-102.95
JSE Market Index	142,358.84	-53.84
All Jamaican Composite	158,050.32	-60.17
Jamaica Select Index	4,737.61	+1.73
JSE Cross Listed Index	499.06	-

Most Active Stocks

	Units Traded	%
LIME	9,611,953	21.55%
DTL	9,286,895	20.82%
CBNY	2,892,622	6.48%

Top Winners & Losers This Week

	\$ Change	% Change
Winner: CFF	+\$1.25	+18.25%
Winner: PROVEN 8%	+\$0.54	+10.89%
Loser: PURITY	-\$0.24	-18.46%
Loser: KREMI	-\$0.66	-16.30%

Net International Reserves Decline Month-Over-Month

Net International Reserves (NIR) as at November 2015 was \$2,343.34Mn, a 4.5% decline when compared to last month. This reflected BOJ's intervention in the foreign exchange market throughout the month. The Central Bank intervened in the market three times and injected over US\$30Mn for resale in a bid to support USD supplies. Consequently, foreign assets moved down from 2,895.23Mn in October 2015 to 2,776.68Mn in November 2015. At the current NIR levels reserves in weeks of goods and services imports stand at 21.90 and remains above the international benchmark of 12 weeks. The country is expected to receive another IMF disbursement in December following its successful passing of its 10th IMF review. Jamaica is scheduled to receive up to US\$39Mn.

AMG to Start Packaging Tissue

AMG Packaging & Paper Company Ltd (AMG) registered net income of \$79.50Mn (EPS: \$0.78) for its financial year ended August 2015. This represents a significant increase of 74.4% and is the most robust year-on-year earnings growth rate that the company has ever recorded. The commendable net profit outturn was primarily due to management's ability to contain operating costs. Growth in revenues throughout the year was relatively marginal as sales amounted to \$633.19Mn, only 4.3% higher than last year's. Despite the negative impact that the continued depreciation of the JMD had on the prices of raw material, AMG was able to record an improvement in its gross profit margin from 19.1% in 2014 to 23.6%. The conversion to liquefied petroleum gas, overtime costs management and lower machine repair costs resulted in the reduction in manufacturing expenses which supported the boost in gross profit margin.

By slashing its selling and distribution expenses in half, total core operating expenses (inclusive of administrative expenses) declined by \$4.26Mn to \$58.44Mn. After accounting for finance costs and preliminary expenses in relation to the company's plans to expand into the toilet paper industry, overall costs was relatively flat at \$72.46Mn. AMG ended the year with a net profit margin of 12.6%, the highest margin ever posted by the company since 2012.

AMG's management has indicated that they are in the midst of expanding into the local tissue and disposable paper towel industry. AMG will distribute these products under the brand names "Tishoo" and "Fluff". The company has already spent \$5.23Mn to lease a

property to house its toilet paper operations and machinery and equipment is slated to arrive by the first quarter of its 2015/16 financial year (November 2015). It is estimated that Jamaica spends approximately US\$31Mn to import toilet paper and hand towel. With operations expected to commence by the second quarter, AMG intends to capture at least 10% of the toilet paper, ultra toilet paper and hand towel market. The company will have to compete against approximately 5 other local competitors as well as well-known international toilet paper brands in order to gain a strong footing in the market. AMG's ability to leverage its distribution network, as well as being able to introduce these products at attractive price points will be integral to the company being able to acquire the desired market share.

At AMG's current trading price of \$6.00, its P/E is 7.69X while its P/B is 1.63X.

BPOW's Earnings Decline

For the first half of its financial year Blue Power Limited (BPOW) reported earnings of \$31.6Mn which represented a 38.6% decline relative to the corresponding prior year period. Despite posting higher revenues, the company's Lumber and Soap divisions suffered declines in segment profits on account of higher operating costs (lower revenues in the case of the Soap Division) and tax expenses. During the period, the Lumber division experienced a robust increase in revenues of 19.5%, which was likely helped by the continued expansion of the construction sector. During the July to September 2015 quarter, the construction industry grew by 0.8%, being reflective of activities by the NWA, JPS, NWC and non-residential activities, such as hotel expansions. BPOW's Soap division did not fare as well, reporting a 4.7% decline in revenues, however strong revenue growth in the Lumber division was able to offset the falloff from this segment. The company cited a falloff in deliveries, in the Soap division, to one of its largest customers, but attempted to replace most of the lost sales with increased exports, higher levels of sales of its own branded products to the retailers and the introduction of a new distributor. During the quarter BPOW completed the trials for the manufacture of a salicylic bar called ariBritetone which will be launched in December. BPOW has also begun to explore the possibility of internet sales of some of its popular products in the USA and expect that the trials will begin in December with an initial launch on Amazon.

On the expenditure side, operating expenses rose 18.1% to \$88.3Mn which reflected increased expenses on

advertising, wages and salaries and maintenance. With the five-year concession in terms of tax-free status having expired in April 2015 this resulted in an estimated tax liability of \$3.53Mn relative to the comparative period where there was no tax liability. For the next five years, BPOW will pay 50% of the applicable corporate tax rate.

At BPOW's current trading price of \$13.12, its P/E is 14.7X.

JMD Money Market

The Bank of Jamaica issued a JMD 1-year fixed rate CD last week with a coupon of 6.20%. The instrument was allocated through a competitive price auction on Thursday, December 10th for settlement on Monday, December 14th. The auction results reflected an average yield of 6.47% with a high of 7.00% and a low of 6.05% for full allocation. The bid rate for partial allocation was 7.25%.

JMD market liquidity conditions continued to be constrained last week with significant broker demand for 30- to 90-day funding.

USD liquidity levels continued to deteriorate and are expected to remain at lower levels throughout December.

Foreign Exchange Market

Selling	Close: 07/11/15	Close: 11/12/15	Change
J\$/US\$1	120.03	120.23	+\$0.20
J\$/CDN\$1	89.24	88.70	-\$0.54
J\$/GBP£1	179.32	180.55	+\$1.23

Demand from brokers and end users increased during the course of the week. The dollar actively traded between \$120.35 and \$120.65, but closed on Friday at a weighted average selling rate of J\$120.23:US\$1.00, which represented a \$0.20 depreciation during the week.

GOJ Global Bonds

Jaman global bond trading activity was low key as the Fed announcement draws nearer. There was widespread sell off of emerging market debt at the end of the week and Jaman was not spared with the 28s moving from 101.65 to 100.25 while 19s, which were offered at 109.75 at the start at the week, moved down to 109. Traders believe that there is a 72% chance that the Federal Reserve will increase interest rates this week, following a meeting that is to be held on Wednesday. As such the financial market remains on edge, which prompted the mass sell-off of high yield debt on December 11.

Indicative Bond Prices

	Bid	Offer	Offer Yield*
2017	108.000	109.750	3.94%
2019	107.500	109.000	4.18%
2021	107.750	108.750	5.395
2022	124.000	126.000	6.39%
2025 (N)	107.500	108.500	6.32%
2025	115.000	117.000	6.85%
2028	100.250	101.250	6.59%
2036	109.500	111.500	7.39%
2039	105.500	107.500	7.31%
2045	99.500	100.500	7.83%

International News

All three major US equities indexes extended losses on December 11th, falling more than 1.5%, and were on track for their worst weekly performance in a month as growing oversupply concerns dragged down crude oil prices to their 7-year lows. The International Energy Agency said it sees the oil glut worsening in 2016 as demand slows and OPEC shows no signs of slowing production.

Global financial markets have turned gloomy as the countdown to the Federal Reserve's probable interest-rate increase sparked a selloff among riskier assets, from equities to commodities and high-yield debt, such as EM debt. Shares in developing nations extended the longest slump since June amid speculation higher U.S. rates will trigger outflows. European stocks dropped to a two-month low and oil plunged below \$36 a barrel on track for its worst week since March. Industrial metals rose amid plans to cut back output. Treasuries rallied with the yen on heavy demand. Volatility has returned to global financial markets just days before the Fed is anticipated to raise rates for the first time in more than a decade. With commodity prices at a 16-year low adding to concern that weakness in China's economy will spread, investors are seeking havens on speculation that the change in central bank policy will roil markets.

Oil tumbles toward 11-year lows on worsening glut ("Reuters")

Oil prices tumbled 4 percent on Monday, coming close to their 11-year low, on growing fears that the global oil glut would worsen in the months to come in a pricing war between leading OPEC and non-OPEC producers.

Brent crude fell by 4 percent to below \$36.40 a barrel for the first time since December 2008 and U.S. West Texas Intermediate (WTI) sank almost 3 percent below \$34.60 a barrel.

Brent traded only 14 cents above the lows last seen during the 2008 financial crisis of \$36.20 a barrel.

If Brent falls below that level, that will be its lowest since mid-2004 - a year when oil was beginning its surge from the single digits it hit during the 1998 financial crisis and when talk of a commodity super-cycle was only beginning.

WTI's financial crisis low was \$32.40 in December 2008.

"Oil is coming under pressure as the lack of OPEC cuts mean

*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.

incessant oversupply continues,” said Amrita Sen from Energy Aspects think tank.

Both benchmarks have fallen every day since the Organization of the Petroleum Exporting Countries on Dec. 4 abandoned its output ceiling. In the past six sessions, they have shed more than 13 percent each.

OPEC has been pumping near record levels since last year in an attempt to drive higher-cost producers such as U.S. shale firms out of the market.

New supply is likely to hit the market early next year as OPEC member Iran ramps up production once sanctions are lifted as expected following the July agreement on its disputed nuclear program.

Iran’s crude oil exports are set to hit a six-month high in December as buyers ramp up purchases in expectation that sanctions against the country will be lifted early next year, according to an industry source with knowledge of tanker loading schedules.

Iranian news agency Shana quoted on Monday manager director of Iran’s Central Oil Fields Company, Salbali Karimi, as saying Iran’s cost of production stood \$1-\$1.5 per barrel, in a clear indication it would ramp up output in any price scenario.

Gulf producers and Russia have said they would not cut output even if prices fell to \$20 per barrel.

On Friday, the International Energy Agency (IEA) said that the global supply glut was likely to deepen next year and put more pressure on prices.

European shares fall after oil rout unnerves market

European shares turned lower on Monday, falling away after a strong start to touch a 2-1/2 month low as commodity firms suffered from a sell-off in Brent crude.

Energy shares fell 1.8 percent as oil prices hit crisis-era lows on concerns that a glut in supply would deepen in the months to come.

Brent crude oil sank to below \$37 a barrel for the first time since December 2008, hitting the shares of the likes of Seadrill, Tullow Oil and OMV, which were all down 2 to 4.5 percent.

Basic resources stocks fell 2.4 percent, giving up early gains. While Chinese data had pointed to signs of stabilisation in the world’s biggest metals consumer, sinking oil and a

rising dollar saw copper fall.

China’s activity data was stronger than expected in November, with factory output growth picking up to a five-month high, signalling that a flurry of stimulus measures from Beijing may have put a floor under a fragile economy.

China’s Stabilizing Growth Removes Fed Hurdle, Adds to Debt Pile (“Bloomberg”)

China’s latest round of data showed fresh evidence of stabilization in the world’s second-largest economy, clearing a potential hurdle for higher borrowing costs in the biggest as Federal Reserve Chair Janet Yellen and her colleagues meet this week.

Bloomberg’s monthly China gross domestic product tracker picked up to a 6.85 percent estimated growth pace for November, the best reading since June, after reports Saturday on industrial production, retail sales and fixed-asset investment all exceeded forecasts.

Unexpected strength in China’s old growth drivers and renewed vigor in new ones help clear the way for the first U.S. interest-rate rise since 2006. China has already cut rates to a record low and boosted fiscal spending -- at the cost of adding to an already record amount of leverage that’s weighing over long-term prospects.

After six rate cuts since late last year failed to spur a faster expansion and exports posted a fifth-straight monthly drop, the People’s Bank of China is also changing tack. A unit of the central bank signaled Friday that it would reduce the yuan’s link to the dollar and instead value the yuan by tracking it against a broad range of currencies.

Lending gave another sign of stabilization last week as PBOC data showed new yuan loans rose to 708.9 billion yuan in November, up from a 15-month low, while China’s broadest measure of new credit rebounded to 1.02 trillion yuan (\$158 billion) for the month.

Saturday’s reports showed industrial output climbed 6.2 percent in November from a year earlier, compared with a 5.7 percent median estimate of economists surveyed by Bloomberg. Retail sales gained 11.2 percent for the best reading of 2015, while fixed-asset investment increased 10.2 percent in the first 11 months of the year.

Policy makers have added stimulus as growth slowed from 7.3 percent last year to 7 percent in the first half and to 6.9 percent in the third quarter.

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.

NCB Capital Markets Limited ("NCBCML") through its representative(s) has provided information to you on various financial products and services and investment opportunities for information and educational purposes only. While NCBCML has made every effort to ensure that the information provided to you is accurate and based on research and analysis that we have carried out or derived from sources that we believe to be accurate and reliable, NCBCML makes no representations or warranties about the accuracy, completeness or suitability for any purpose of the information published and will not be liable for any loss which you or anyone else may suffer in reliance on the information we have provided to you. This Report does not take into account the specific investment objectives, financial situation or particular needs of any specific recipient and therefore this Report should not be regarded by recipients as a substitute for the exercise of their own judgment or for obtaining advice directly from one of our investment advisors.

Important Disclosures:

The views expressed in this report are the views of NCB Capital Markets Ltd at the date of this report.

In accordance with Section 39 (1) of the Securities Act of 1993, NCB Capital Markets Limited hereby states that it is a subsidiary of NCB Jamaica Ltd. and to that extent may be regarded as interested in the acquisition or disposal of the shares of NCB Jamaica Ltd. However, the company acts in a proper and professional manner in making any recommendations regarding shares listed on the Jamaica Stock Exchange. Share prices may fluctuate and past performance is not necessarily a guarantee of future returns.