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NCB CAPITAL MARKETS LIMITED

Weekly Market GUIDE

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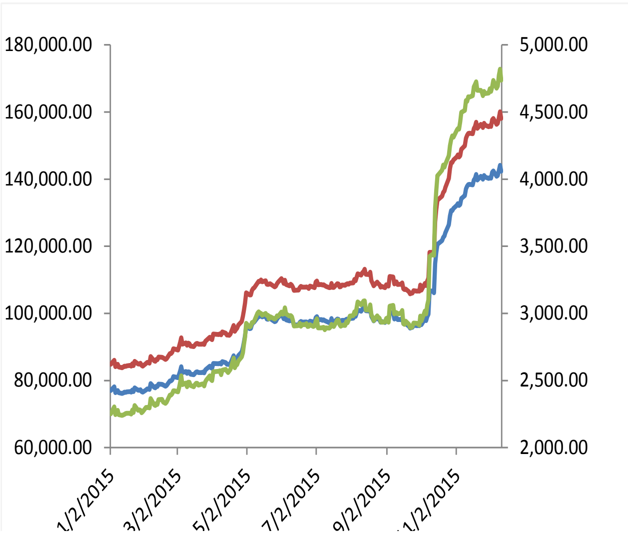
December 21, 2015

Jamaican Stock Market



Weekly Movement in Indices

Indices	Closing Levels	Change
JSE Combined Index	153,343.26	+4,570.76
JSE Market Index	146,623.79	+4,264.95
All Jamaican Composite	162,816.65	+4,766.33
Jamaica Select Index	4,894.84	+157.23
JSE Cross Listed Index	499.06	-

Most Active Stocks

	Units Traded	%
138SL	58,949,590	32.61%
HONBUN	55,216,600	30.54%
DTL	41,187,095	22.78%

Top Winners & Losers This Week

	$ Change	% Change
Winner: KLE	+$0.25	+33.33%
Winner:JSE	+3.20	+20.32%
Loser: RJR	-$1.06	-26.11%
Loser:CPJ	-$1.10	-20.07%

Investors' Christmas List- The Naughty and The Nice

As we count down to the end of 2015, a look back at the developments and activities point to the fact that it has been a roller coaster year for the both the local and international financial markets. Like Santa does at this time of the year, investors' portfolio reviews would have revealed which investments made the naughty or nice list ahead of their rebalancing activity for 2016.

The Nice List

At the top of the nice list was the local equities market which has recorded a 90.4% gain year to date. Mergers & acquisitions fuelled the bull-run. In addition, the low interest rate environment coupled with positive corporate earnings and improving economic outlook contributed to stocks rising to all-time highs.

The Naughty List

Unlike local stocks, the ride was especially bumpy for overseas investments and returns were certainly not as nice as previous years. A number of factors dogged the international financial market this year. A further decline in commodity prices - particularly oil; soft economic growth in the global economy; subpar economic outturn along with a currency devaluation in China and speculation surrounding the Fed's decision wreaked havoc on bond and commodity trading. After nearly a decade since increasing interest rates and almost seven years of the most accommodative monetary policy in US history the Federal Reserve finally approved a quarter-point increase in its target funds rate on December 16th. The new target will range from 0% - 0.25% to 0.25% - 0.50%.

The Naughty List

The US Federal Reserve's interest rate increase was an unwelcomed Christmas gift and plunged high yield debt on the naughty list. Though this move was widely expected as the US economy showed signs of economic recovery and growth, the market reaction to the news was swift and drastic. Since the increase in interest rates almost a week ago, there has been a large sell-off of emerging market debt as investors reposition themselves from risky, high-yielding bonds. This has resulted in a falloff in EM bond prices.

As we head into 2016, we continue to favour local equities as economic conditions continue to create the right environment for a continued bull-run. Mutual funds that provide international equity exposure are also necessary for diversification purposes. Despite the recent sell-off in EM bonds, we believe that investment grade issues and credits with strong and improving fundamentals should weather the interest rate storm better than others. Investors should also continue to choose bonds with shorter maturities as these will be less sensitive to price risk than longer dated issues.

Inflation Rate Remained Low in November

Inflation for the month of November 2015 remained relatively low thanks to lower petrol prices. The Consumer Price Index was only 0.3% higher than levels recorded in October. The fiscal year-to-date and point-to-point inflation rates were 4.1% and 3.1%, respectively.

The 0.8% increase in "Food and Non-Alcoholic Beverages" recorded the largest monthly increase as the index continued to feel the impact of higher prices on agricultural produce. Of note, the pace of increase in the "Vegetables & Starchy Foods" category slowed during the month. This reflected the effect of the rainfall at the end of September which signaled the end of the dry weather conditions that plagued the island throughout the year. Other divisions that recorded upward movement were "Restaurants and Accommodation Services", "Miscellaneous Goods & Services", "Clothing and Footwear" and Alcoholic Beverages and Tobacco" which increased by 0.4%, 0.3%, 0.3% and 0.2%, respectively. However, these movements were tempered by a 0.6% decline in the "Transport" division due to lower petrol prices and a reduction in the price of airfares.

In light of the low inflation rates thus far, the BOJ is maintaining its fiscal year target at 5.5% - 7.5%. However, the Central Bank Governor has indicated that the inflation rate is expected to end the year towards the lower end of this target. The governor's expectations are supported by the results of the most recent inflation expectations survey which indicated that forecasts are still anchored towards a low single digit outturn.

JMD Money Market

JMD Money Market liquidity remained low but was signficantly exacerbated by the GOJ Treasury Bill auction and the BOJ instruments issued last week. The T-Bill auction resulted in a 19bps and 5bps decline in the 91 and 182 days weighted average yields respectively. However the 28-day yield increased by 7 basis points.

The Bank of Jamaica issued a 1-year Variable Rate (VR) CD and a 1-year Fixed Rate (FR) CD during theweek. The JMD VR CD has an initial coupon of 5.96% and re-prices quarterly at the 3-month WATBY plus 0.25%. The instrument which opened on Friday December 18th and is scheduled to close on December 23, had participation of J$219M at the end of trading on Friday. The 1-year FR CD was allocated through a competitive price auction on Friday, December 18th for settlement on Monday, December 21st. The auction results reflected an average yield of 6.13% with a high of 6.133% and a low of 6.00% for full allocation. The bid rate for partial allocation was 6.15%.

Foreign Exchange Market

Selling	Close: 11/12/15	Close: 18/12/15	Change
J$/US$1	$120.23	$120.37	+$0.14
J$/CDN$1	$88.70	$85.29	-$3.41
J$/GBP£1	$180.55	$177.13	-$3.42

As the year comes to a close, demand from brokers and end users was moderate. The dollar actively traded between $120.50 and $120.60, but closed on Friday at a weighted average selling rate of 120.37, which represented a $0.14 depreciation during the week.

GOJ Global Bonds

Trading activity was fairly robust in Jaman global bonds particularly the 28s which traded down to 99.25 on the back of the Fed finally raising rates for the first time in 7 years. The Fed action also spurred a wider sell off in high yield debt as investors pulled funds from ETFs and other high yield funds.

Indicative Bond Prices

	Bid	Offer	Offer Yield*
2017	108.250	109.500	3.99%
2019	107.000	108.250	4.46%
2021	107.500	108.500	5.45%
2022	125.000	127.000	6.21%
2025 (N)	107.750	107.250	6.50%
2025	114.750	116.000	6.97%
2028	98.500	100.000	6.74%
2036	106.500	108.500	7.66%
2039	103.000	104.750	7.55%
2045	96.500	98.000	8.05%

International News

The Federal Reserve hiked interest rates for the first time in nearly a decade on December 16th, signaling faith that the U.S. economy had largely overcome the wounds of the 2007-2009 financial crisis. The U.S. central bank's policy-setting committee raised the range of its benchmark interest rate by a quarter of a percentage point to between 0.25% and 0.50%, ending a lengthy debate about whether the economy was strong enough to withstand higher borrowing costs. The Fed's policy statement noted the "considerable improvement" in the U.S. labor market, where the unemployment rate has fallen to 5%, and said policymakers are "reasonably confident" inflation will rise over the medium term to the Fed's 2% objective. The central bank made clear the rate hike was a tentative beginning to a gradual tightening cycle, and that in deciding its next move it would put a premium on monitoring inflation, which remains mired below target. The Fed statement and its promise of a gradual path represented a compromise between policymakers who have been ready to raise rates for months and those who feel the economy is still at risk from weak inflation and slow global growth. Fed policymakers' median projected target interest rate for 2016 remained 1.375%, implying four quarter-point hikes next year. In the days leading up to the interest hike, high yield bonds took a tumble as investors repositioned for the impending increase.

U.S. Stocks Rebound from Two-Month Lows as Growth Worries Ease (Bloomberg)

U.S. stocks climbed, after the Standard & Poor's 500 Index dropped to its lowest level in two months, as investors concerned that global growth will slow were soothed by China's signal that it may add to stimulus.

Industrial and financial shares led an early advance, with JPMorgan Chase & Co. up 1.5 percent, while American Airlines Group Inc. and Delta Air Lines Inc. rose more than 1.8 percent. Energy producers were little changed after swinging between gains and losses, while crude oil sank 1.5 percent.

The S&P 500 rose 0.6 percent to 2,017.17 at 10:59 a.m. in New York, after rising as much as 0.9 percent. The Dow Jones Industrial Average added 79.77 points, or 0.5 percent, to 17,208.32. The Nasdaq Composite Index gained 0.6 percent.

China's leaders signaled Monday they will take further steps to support growth, including widening the fiscal deficit and

*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.

stimulating the housing market, to put a floor under the economy's slowdown. Monetary policy must be more "flexible" and fiscal policy more "forceful" as leaders create "appropriate monetary conditions for structural reforms," according to statements released at the end of the government's Central Economic Work Conference by the official Xinhua News Agency.

Investors have wavered between optimism on the U.S. economy and concern that a slowdown on China will spread. Worries about weakness in the world's second-largest economy were stoked by a surprise currency devaluation in August, triggering the S&P 500's first correction in four years.

U.S. housing data signals economic strength; manufacturing weak (Reuters)

U.S. housing starts in November rebounded from a seven-month low and permits surged to a five-month high, signs of strength in the housing market as the Federal Reserve starts hiking interest rates after years of easy monetary policy.

Other data on Wednesday showed the industrial sector continuing to struggle under the weight of a strong dollar, cutbacks in inventory investment as well as spending cuts by energy firms in response to persistently low oil prices.

Groundbreaking jumped 10.5 percent to a seasonally adjusted annual pace of 1.17 million units last month, the Commerce Department said. Building permits vaulted 11 percent to a 1.29 million-unit rate, the highest since June. With permits running ahead of starts, home building is likely to remain supported in the months ahead.

The Fed on Wednesday raise its benchmark overnight interest rate by 25 basis points from near zero, the first rate hike in nearly a decade. The U.S. central bank gave an upbeat assessment of the economy and noted that "the housing sector has improved further."

With the Fed making it clear that the tightening cycle is likely to be gradual, the increase in borrowing costs is not expected to derail the housing recovery.

In a separate report, the Fed said industrial production fell 0.6 percent in November as unusually warm weather caused a sharp drop in demand for utilities.

The third straight monthly decline in industrial output also reflected another sharp fall in mining production, driven by a plunge in oil and gas well drilling. Manufacturing output was unchanged. However, motor vehicle production fell for the first time since August, a worrying signal for manufacturing.

China pledges policy support to economy, reform in 2016 (Reuters)

China will make its monetary policy more flexible and expand its budget deficit in 2016 to support a slowing economy, state media said on Monday, citing top leaders who wrapped up an important meeting and vowed to push forward "supply-side reform".

The annual Central Economic Work Conference is keenly watched by investors for clues on policy priorities and main economic targets for the year ahead.

The closed-door meeting called for tax cuts and a gradual expansion China's fiscal deficit ratio, it reported. The government aims to keep economic growth within a "reasonable range" next year, state radio said without giving specifics.

The report came after a source with direct knowledge of the meeting, which began on Friday, said China would keep its economic policies accommodative in 2016 to help support the slowing economy.

The government will take steps to expand aggregate demand while pushing forward "supply-side reform" next year, said the source who briefed a small group of reporters about the meeting.

The People's Bank of China has maintained a prudent monetary policy since 2011, raising or cutting interest rates in line with shifts in the economy. The pro-active fiscal policy has been in place since the depths of the global crisis.
The PBOC has cut interest rates six times since November last year and reduced banks' reserve requirement ratios (RRR), or the amount of cash that banks must set aside as reserves.

The government has also stepped up spending on infrastructure projects and eased restrictions on home buying to boost the sluggish property market.

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.