SERIOUS ABOUT WEALTH

NCB CAPITAL MARKETS LIMITED

Weekly Market GUIDE

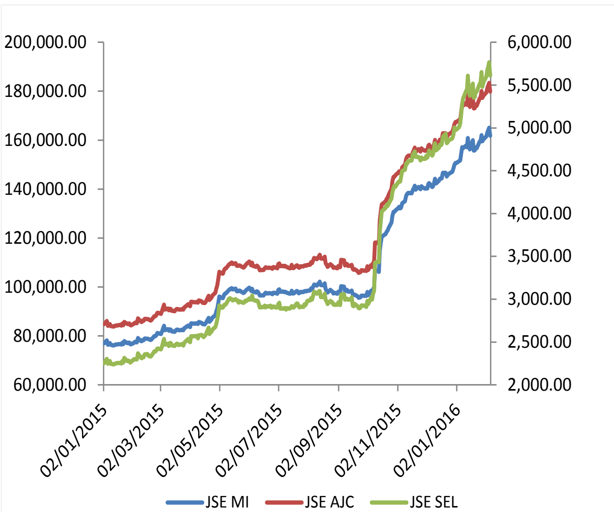
Annya Walker
AVP Research, Strategic Planning & Projects
Tel: 935-2716
walkerad@jncb.com

Simone Hudson-Bernard, CFA
Manager Research & Structured Products
Tel: 935-2585
hudsonsg@jncb.com

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

June 20, 2016

Jamaican Stock Market



Weekly Movement in Indices

Indices	Closing Levels	Change
JSE Combined Index	171,304.42	-174.43
JSE Market Index	159,732.60	-38.47
All Jamaican Composite	177,471.18	-43.03
Jamaica Select Index	5,573.73	-10.42
JSE Cross Listed Index	499.06	-

Most Active Stocks

	Units Traded	%
HONBUN	5,826,765	15.96%
NCBJ	5,825,759	15.96%
LASM	4,047,980	11.09%

Top Winners & Losers This Week

	$ Change	% Change
Winner: ISP	+$0.65	18.84%
Winner: RJR	+0.22	13.50%
Loser: CBNY	-$0.02	11.76%
Loser: GENAC	-$0.26	11.21%

Market Analysis & Commentary

Economic Growth Although Weak, Remains Positive

Strong and sustained economic growth remains an elusive target despite strong performances in other key indicators. According to the Planning Institute of Jamaica (PIOJ), real GDP grew by an estimated 0.9%, reflecting increases in the Goods Producing (up 1.0%) and Services Industries (up 0.8%). Within the goods producing sector, Agriculture grew by 2.0%, manufacturing grew by 1.1%, and Construction grew by 0.4%. All industries in the Services sector registered increases with the exception of Producers of Government Services which declined by 0.2%.

Short term prospects for the second quarter April-June 2016 remained positive with Agriculture, Electricity & Water Supply and Hotels and Restaurants expected to drive growth. Continued recovery from drought conditions bodes well for the Agriculture sector while Tourism should continue to benefit from improvement in the economies of the major source markets. The PIOJ estimates that growth in the quarter will be in the 0.5% to 1.5% range. In the longer term, the combination of low interest rates, and relatively low inflation is expected to have a positive impact on local demand via increased consumption and investment. On the other hand, unemployment levels remain high and increased consumption taxes could temper consumer spending.

Consumer Prices Increased for the First Time in 2016 in May

After four months of downward movements, the month of May saw the first Consumer Price Index (CPI) increase since the start of 2016. The inflation rate for the month was 0.2%. This is the lowest rate recorded in the month of May in over a decade. Increases from the 'Transport', 'Housing, Water, Electricity, Gas & Other Fuels' and 'Food & Non-Alcoholic Beverages' indices were the primary drivers of the spike in inflation. The 'Transport' index saw the highest upward movement with a 0.8% increase. This was fueled by higher petrol prices. Bus operators that use the North-South leg of Highway 2000 increased fares. There was also the higher cost of air travel following the increase in departure taxes in the recent budget presentation. Despite the fact that water and sewage rates declined, it was not enough to offset the increase in 'Electricity, Gas & Other Fuels' driven by higher electricity rates and led to net increase of 0.6% in the overall index tracking Electricity, Water and Fuel prices. The 'Food & Non-Alcoholic' index, the biggest contributor to the CPI, climbed by 0.1%.

The increase in the overall CPI in May was however not enough to counter the prior months' declines and as such, the year-to-date inflation rate to May was -1.4% (negative 1.4%) and the point-to-point rate was 2.1%.

A number of factors will result in higher inflation for the upcoming months. This follows the announced increase in consumption taxes in the budget presentation in May. The increase in SCT on Fuel will lead to higher Fuel, Transport and Electricity Rates. Taxi drivers are demanding as high as a 50% increase in fares following the announced tax measures. At the same time, the Jamaica Public Service announced that there would be an average 12.8% increase in electricity bills in June. The rapid year to date depreciation in the currency will also filter through to the price consumers pay for goods and services. On a positive note, the fact that rainfall levels have normalized is likely to improve crop yields and support a slowdown in the pace of inflation from the heavyweight 'Food & Non-Alcoholic Beverages' index.

CAC Reports 19% Increase in Net Profit After Tax

During the six months ended April 30, 2016, CAC 2000 reported net profit of $48.47M (EPS:$0.38) which represented a 19% increase relative to the corresponding period in the prior year. This came on the heels of a 16% increase in revenues which amounted to $481.32M. With a slower growth in cost of sales gross profit increased by 20% to a total of $181.97M. CAC's gross profit margin increased from 36.6% in 2015 to 37.8% in 2016. Selling and distribution costs contracted by 30.8% to a total of $13.94M while General Administration costs grew by 37% to $114.01M, leading to a 23.6% increase in Total expenses to $127.94M. This increase, the company indicated was due to investment in additional resources needed to support the continued growth in business.

Just six months after listing, the stock price has appreciated 37.0% relative to the IPO price of $4.89. The board of directors declared an interim dividend of $0.17. This dividend declaration equates to a dividend yield of approximately 2.5% (or 5.0% annualized) relative to a market price of $6.70.

Foreign Exchange Market

Selling	Close: 10/06/16	Close: 17/06/16	Change
J$/US$1	$125.89	$126.07	+0.18
J$/CDN$1	$98.34	$97.28	-1.06
J$/GBP£1	$181.08	$177.63	-3.45

Amidst heavy demand for hard-currency primarily from the Energy sector, The BOJ intervened in foreign exchange market activity on Tuesday, Wednesday and Thursday last week in an effort to shore up USD supplies. Despite this, the exchange rate still broke the $126 mark, recording a week on week depreciation of $0.18. On Friday, the weighted average selling rate was $126.07/US$1.

JMD Money Market

JMD market liquidity levels tightened last week, mainly influenced by the BOJ interventions in the foreign exchange market along with the funding of corporate tax obligations. However, liquidity levels are likely to improve this week given interest payment inflows on BOJ Fixed Rate 5.80% 2017 CDs and BOJ Variable Rate 2017 CDs. OMO maturities of J$6.4Bn should also help to improve liquidity levels.

GOJ Global Bonds

Jaman Global bonds started the week strong but demand slowed later on as rumours of a non-deal roadshow being undertaken by the Government helped to drive prices lower. Most of the activity continued to be centred around the middle to end of the curve. The GOJ 2025N closed at 112, while 2028s were bid at 104.40 and 2045s at 106.25.

Indicative Bond Prices

	Bid	Offer	Offer Yield*
2017	107.000	108.500	1.95%
2019	107.750	109.250	4.67%
2021	110.000	112.000	5.87%
2022	128.000	130.000	5.32%
2025 (N)	111.750	112.750	5.79%
2025	120.000	121.500	6.18%
2028	104.000	105.000	6.15%
2036	115.000	116.500	6.95%
2039	111.000	112.250	6.92%
2045	106.500	107.500	7.25%

*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.

International News

Investor sentiment in recent weeks has been largely determined by Britain's debate over whether to stay in the EU and bookmakers' odds suggest the chances of a 'Leave' vote have faded since the murder of pro-European lawmaker Jo Cox last week. A poll taken since the killing and published over the weekend showed 45% of voters backed the 'Remain' camp, while 42 percent were in favor of a so-called Brexit, a turnaround from early last week when a slew of surveys put the latter group ahead. Global equities rallied and the pound strengthened the most since 2008 on signs the campaign for the U.K. to stay in the European Union was gaining momentum. Officials from central banks and governments around the world have signaled concern that a U.K. withdrawal from the 28-nation bloc could unleash a wave of turmoil across global markets. Federal Reserve Chair Janet Yellen, said that the British vote was a factor considered by officials as they decided to keep interest rates unchanged.

In the Latin American Region, Brazil's economy contracted sharply in the first quarter amid a Zika outbreak the country is desperately trying to downplay ahead of the 2016 Olympic Games in Rio de Janeiro. Gross domestic product (GDP) contracted by 5.4% annually in the first quarter, following a 5.9% drop in the final three months of 2015. Brazil's economy faces weakness across the board, including declining industrial production, weak agricultural output and a dismal services sector. On the demand side, household consumption plunged 6.3% in the January-March period, as rising unemployment and lower incomes reduced consumer spending in dramatic fashion. Brazil's economy has contracted for eight consecutive quarters in annualized terms amid political uncertainty stemming from the Petrobras scandal. Meanwhile, the governor of the state of Rio de Janeiro declared a state of financial emergency on Friday, requesting federal funds to help the state fulfill its obligations for public services during the Olympics which start August 5.

(Bloomberg) IMF Revives Recession Warning for U.K. Economy Over Brexit Vote

The International Monetary Fund weighed in once more with its thoughts on Britain's referendum, warning the U.K. could slide into a recession if it quits the European Union. In a 64-page document, the Washington-based fund said that the size of the hit would depend on a multitude of factors, though its overall assessment is that the U.K. "would likely be worse off economically in the long run."

The IMF also warned of a potential credit squeeze if liquidity markets dry up, which could stymie spending and investment. The Bank of England has moved to preempt this with additional auctions to make funds available to banks before and after the vote.

The IMF delayed publication of the report by a day after campaigning in the referendum was halted following the fatal shooting of Labour Party lawmaker Jo Cox on Thursday. Speaking on Friday, Managing Director Christine Lagarde said her thoughts were with Cox's family and friends.

In its report, the IMF presented forecasts for "limited" and "adverse" Brexit scenarios. In the worse situation, it sees growth slowing sharply this year and the economy shrinking 0.8 percent in 2017. The impact would see the economy 5.6 percent smaller by 2019 compared with a baseline forecast, while unemployment would rise above 6 percent and the deficit would be wider.

IMF officials said that a permanent hit to output would probably mean deeper austerity. Chancellor of the Exchequer George Osborne has said an emergency budget would be required within two months of a Brexit to fill a hole in the public finances.

"While recognizing that this choice is for U.K. voters to make and that their decisions will reflect both economic and non-economic factors, directors agreed that the net economic effects of leaving the EU would likely be negative and substantial," the organization said.

The intervention is not the first from the IMF, which has issued several warnings on the potential impact of Brexit. Lagarde has also defended the organization's stance, saying that officials are "just doing our job" in presenting their analysis.

In the long run, much of the economic impact would depend on what could be negotiated after a vote to leave, the IMF said. There would be direct negative effects from reduced trade access, as the country would be unlikely to quickly establish agreements with other countries. Brexit could also bring losses in productivity, which would be magnified if Brexit were accompanied by restrictions on migration.

Uncertainty during the transition could delay investment and hiring, and some firms may relocate if their business depends on access to the single market, according to the fund. It sees finance and manufacturing as the most vulnerable.

(Reuters) U.S. housing starts hurt by weakness in multi-family units

U.S. housing starts slipped in May as the construction of multi-family housing units dropped, but further gains in building permits signaled a rebound that would support economic growth in the second quarter.

Groundbreaking fell 0.3 percent to a seasonally adjusted annual pace of 1.16 million units, the Commerce Department said on Friday. May's decline followed a 4.9 percent surge in April. Building permits rose 0.7 percent to a 1.14-million unit rate in May.

Though the pace of home building has slowed after a brisk first quarter, housing remains a pillar of strength for the economy. Residential construction added almost six-tenths of a percentage point to first-quarter gross domestic product, the biggest contribution in more than three years.

The economy grew at a 0.8 percent annualized rate in the first quarter. The Atlanta Federal Reserve left its growth forecast for the second quarter unchanged at a 2.8 percent pace after Friday's housing starts data.

(Reuters) Germany expects growth to slow after strong first quarter

German economic growth is likely to slow after a robust start to the year, expanding at a slower pace for the rest of 2016 as foreign trade cools, the Finance Ministry and central bank said on Monday.

Europe's largest economy grew 0.7 percent between January and March, its strongest quarterly rate in two years, as soaring private consumption, higher construction investment and state spending on migrants more than offset weak foreign trade.

The government expects domestic demand to drive an overall economic expansion of 1.7 percent in 2016, on a par with last year.

In its monthly report, the Bundesbank said economic growth is likely to slow sharply in the second quarter before rebounding later in the year. The Finance Ministry took a slightly more positive view of the March-June period.

The central bank said growth would dip compared to the first quarter due to lower industrial export orders and fluctuations in the construction sector and as the positive impact of a relatively warm winter wears off.

NCB Capital Markets Ltd (formerly Edward Gayle and Co.) established in 1968 is Jamaica's oldest stockbroker. 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.