

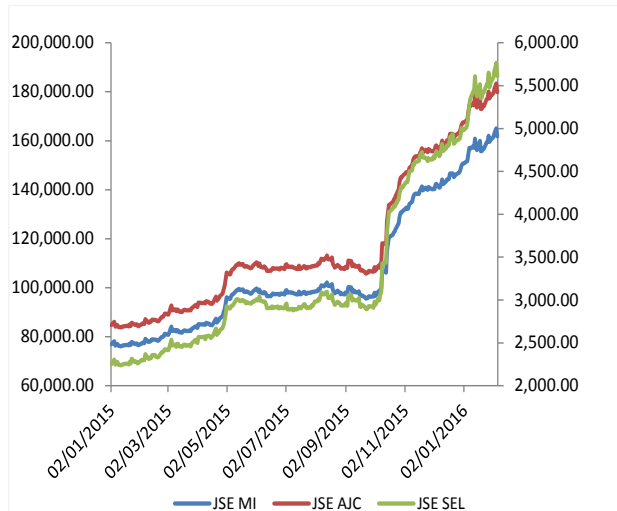
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Jamaican Stock Market



Weekly Movement in Indices

Indices	Closing Levels	Change
JSE Combined Index	160,526.66	-1,165.87
JSE Market Index	152,990.33	-100.75
All Jamaican Composite	169,930.83	-112.68
Jamaica Select Index	5,292.00	-8.23
JSE Cross Listed Index	499.06	-

Most Active Stocks

	Units Traded	%
RJR	192,573,664	88.39%
CWJ	5,361,838	2.46%
JBG	4,670,274	2.14%

Top Winners & Losers This Week

	\$ Change	% Change
Winner: KEY	+\$0.40	15.38%
Winner: EPLY	+58.99	14.75%
Loser: RJR	-\$0.34	23.29%
Loser: PROVEN	-\$0.40	20.00%

Market Analysis & Commentary

Jamaicans and investors are on stand-by awaiting the budget estimates and presentations that will be made in the coming weeks. Of note, this will be the first presentation of the newly elected government following the recent General Elections and as such, stakeholders eagerly await the opportunity to assess the posture of the new administration. What needs to be seen is a strong commitment to fiscal discipline and willingness to continue the reforms under the IMF Program. In light of improving but still weak economic growth, the government may have to, for the most part continue with the austerity measures as growth in tax revenues will be harder to come by. On Thursday, April 14, Jamaicans will hear how much the Government intends to spend for the fiscal year 2016/17.

Given that investors are in wait and see mode, stock market activity is likely to remain subdued for another month. Last week, all major indices declined marginally. The Combined Index fell by 0.72%, The Main Index slipped 0.07% and the Junior Market declined by 5.45%. A total of 217Mn units valued at \$541.11Mn changed hands.

Lower Oil Prices Fuels JPS' 2015 Performance

Helped by lower oil prices which resulted in significant cost savings, Jamaica Public Service Company (JPS) ended the 2015 financial year on a positive note. Net profit for the full year was \$26.51Mn (EPS: \$0.12). This represents a 15.2% increase when compared to the earnings reported in 2014.

JPS' revenues contracted by 25.7% to \$759.82Mn. Despite this, gross profit grew by \$13.11Mn (+4.8%) to \$286.19Mn and gross profit margin increased 11 percentage points to 37.7%. This was primarily driven by a significant reduction in cost of sales on account of falling energy prices. According to the US Energy Information Administration, oil prices averaged US\$48.66 per barrel in 2015. This is almost half the average price per barrel in 2014. As a result, JPS spent \$284.59Mn less on fuel. Operating expenses rose by 4.7% to \$200.04Mn. Additional savings came from finance costs which was \$44.91Mn, compared to \$57.32Mn a year earlier. The decline reflected lower foreign exchange losses as a result of the slower pace of depreciation in the currency during the period. JPS' net profit margin increased to 3.5% for 2015 versus 2.2% in 2014.

JPS is expected to continue benefiting from relatively low oil prices. According to estimates from the International Energy Agency, the global oil supply glut will persist into 2017, limiting any chance of a pre-2014 price level rebound in the short term as the surplus takes even longer to clear. Analysts appear to share similar sentiments as evidenced by the Bloomberg Composite Consensus which estimates that oil prices will remain around US\$39.50 per barrel before moving up to US\$52.15 per barrel in 2017. With that said, the local energy company is anticipated to register improved margins over the short to medium term.

Eppley Registers Higher Earnings

For the financial year ended December 2015, Eppley (EPLY) recorded earnings of \$56.49Mn (EPS: \$70.94), which was 10.4% higher than the after-tax profits registered in 2014. The modest increase in earnings was supported by a 69.6% growth in interest income. Though the income from EPLY's insurance premium segment dropped by 9.9%, a robust 115.6% increase in loan income coupled with a 17.2% increase in income from leases were able to offset that decline. Effective margin management resulted in net interest income moving up by 19.1% to \$82.15Mn. Other operating income - which is comprised of fee income, foreign exchange gains and other miscellaneous income - added another \$34.61Mn. Meanwhile on the costs side, operating expenses increased due to higher staff costs and professional fees. Operating expenses were \$60.68Mn, 19.5% higher than 2014's outturn.

During its Extraordinary General Meeting held on April 5, 2016, Eppley's shareholders voted to raise the company's authorised share capital from 800,000 ordinary shares to 1.3Mn. As such, Eppley is likely to raise additional capital in the near term. At its current price of \$459.00, EPLY's trailing P/E is 6.47X while its P/B is 1.05X.

Net International Reserves Remain at Strong Levels

Jamaica's net international reserves rose to its highest level since the beginning of the year. For March 2016 the NIR was US\$2,269.76Mn. The growth was supported by a US\$154.69Mn month-over-month increase in foreign assets which ended the period at US\$2,894.31Mn. This offset a 1.9% upward movement in liabilities. At its current level, the NIR is sufficient to cover 23.30 weeks of goods and services, the highest import coverage since March 2011.

Foreign Exchange Market

Selling	Close: 01/04/16	Close: 08/04/16	Change
J\$/US\$1	\$122.04	\$122.08	+0.04
J\$/CDN\$1	\$92.67	\$92.88	+\$0.21
J\$/GBP£1	\$172.90	\$169.68	-3.22

Low demand for the US\$ earlier in the trading week increased steadily through to Friday from both brokers and end-users. However, overall demand was fairly moderate. The dollar traded between J\$122.04 and \$122.08 on the high end. On Friday, the weighted average selling rate was US\$1:00: J\$122.08.

JMD Money Market

JMD market activity was fairly low last week as most brokers had sufficient liquidity to cover their demand for the week. Interest inflows from the GOJ 2020 VR helped to contribute to the satisfactory market liquidity levels. This week interest inflows from the GOJ VR 2018, GOJ VR 2023 and GOJ FR 2024s are expected to offset some of the liquidity needs of various tax obligations which are due for payment in the upcoming week.

GOJ Global Bonds

Jaman global bonds had a very good week with the 2025N, 2028s and 2045s being the most actively traded. The 2025N closed the week at 112.20, 2028s at 103.80 and 2045s at 104.50. There was demand on the 2019s week but offers were not as robust.

Indicative Bond Prices

	Bid	Offer	Offer Yield*
2017	108.750	109.750	2.24%
2019	109.500	110.500	3.00%
2021	109.000	110.000	4.61%
2022	127.000	129.000	5.65%
2025 (N)	111.750	112.750	5.66%
2025	120.500	121.500	6.22%
2028	104.250	105.250	6.09%
2036	110.000	112.000	7.34%
2039	104.500	106.500	7.40%
2045	104.000	105.250	7.43%

*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

European Central Bank officials underlined their readiness to enact further ease in monetary policy as political, banking and sovereign fault lines showed the region remains vulnerable six years after the start of the debt crisis. In Frankfurt, the ECB's home city, and Brussels, Europe's nominal capital, policy makers said they will take whatever measures are required to help the economy and boost inflation. President Mario Draghi said he still has plenty of tools at his disposal. "We face uncertainty about the outlook for the global economy," Draghi wrote in the central bank's annual report, presented in Brussels Thursday. "We face continued disinflationary forces. And we face questions about the direction of Europe and its resilience to new shocks. In that environment, our commitment to our mandate will continue to be an anchor of confidence for the people of Europe." As economic reports paint a picture of a lackluster recovery, the region is up against an array of confidence-sapping threats to its political and financial stability, from the worsening migrant crisis to persistent doubts about Italian banks. With renewed political turmoil in Greece, and Spain still without a government after an election in December, all these factors are combining to unnerve investors and drag peripheral bonds lower. Since the ECB cut rates last month to record lows and expanded its bond-buying program, Governing Council members have repeatedly emphasized that the central bank has not run out of room to ease again.

[\(Bloomberg\) U.S. Stocks Fluctuate as Dollar Tumbles, Treasuries Erase Slide](#)

U.S. stocks fluctuated after paring gains as an advance in global equities faltered, while the dollar slumped to a nine-month low on speculation the Federal Reserve won't raise interest rates anytime soon. Crude traded near a four-month high.

The Standard & Poor's 500 Index trimmed a 0.8 percent gain by three-quarters as Alcoa Inc. gets set to start what's forecast to be the worst earnings season since the financial crisis. The Stoxx Europe 600 Index edged higher. Emerging-market shares rose on data showing China's producer prices increased month-on-month for the first time since 2013. The Bloomberg Dollar Spot Index extended losses, while Treasuries pared a slide.

Concern that global growth continues to slow even as central banks step up efforts to revitalize it has sapped equities of momentum heading into the first-quarter earnings season. Analysts are projecting profits for S&P 500 companies will

contract 10 percent, compared with calls for flat earnings growth at the start of the year. European peers will also begin reporting this week, with profit at companies in Europe's Stoxx 600 Index forecast to shrink in 2016, reversing earlier calls for earnings to improve.

[\(Reuters\) China March consumer inflation stable, but producer prices fall again](#)

China's consumer price inflation rose less than expected in March, flattening out after a four-month strengthening trend, but wholesale prices remained stubbornly in deflation.

Consumer prices in March rose 2.3 percent, below a median forecast of 2.5 percent in a Reuters poll but equal to February's increase of 2.3 percent. Although the prior month's figure represented the fastest rise in more than a year, the increase was driven largely by sharp gains in food prices following an unexpectedly harsh winter.

Economists have been watching closely to see how inflation evolves in China this year following a prolonged easing campaign by the central bank beginning in late 2014, which has boosted credit, but has yet to result in substantial price increases.

Producer prices fell 4.3 percent in March, extending their decline to a full four years, but at a slower rate than forecasts of a 4.6 percent decline. Falling commodity prices and overcapacity in key industrial sectors have helped mire producer prices in a lengthy slump, although declines have eased in recent months.

A key factor supporting consumer prices, which have trended sideways around 1.5 percent year-on-year since late 2014, has been the relative strength of the labour market.

However, recent data paints a mixed picture on conditions for China's workers. While the official manufacturing purchasing managers' index (PMI) for March showed job losses slowing, a separate private survey from Caixin showed deteriorating labour market conditions in both the manufacturing and service sectors.

China grew at its slowest pace in more than two decades in 2015, as the economy struggled with an extended correction in the real estate market, weak global demand and high corporate debt levels.

[\(Reuters\) IMF supports move to negative rates by some central banks](#)

The International Monetary Fund said on Sunday that a move to negative rates by some of the world's central banks would help deliver extra monetary stimulus and ease lending conditions.

Six of the world's central banks have introduced negative rates, most notably the Bank of Japan and the European Central Bank, and around a quarter of the world economy by output is now experiencing official rates that are less than zero.

They have achieved this by cutting deposit rates into negative territory, ranging from minus five basis points in Hungary to minus 125 basis points in Sweden - essentially a "tax" on deposits.

"Although the experience with negative nominal interest rates is limited, we tentatively conclude that overall, they help deliver additional monetary stimulus and easier financial conditions, which support demand and price stability," the IMF's financial counselor and director of monetary and capital markets, Jose Vinals, wrote in a research paper.

The report was published ahead of next week's International Monetary Fund meetings in Washington.

Negative interest rates were first adopted in Sweden, Denmark and Switzerland in a bid to halt currency appreciation against the euro and Hungary's central bank has also joined the move.

Critics argue that the move to negative rates, especially in Japan where the central bank has failed to ignite growth or shift inflation upwards, are a sign of desperation. What is needed they say is additional government spending instead of more loose monetary policy.

In addition, they charge that the move may damage the economy by inflating financial market asset bubbles and squeezing bank profit margins.

The IMF said that evidence so far showed negative rates had encouraged investors out of low risk government bonds and reduced borrowing costs for companies.

For banks, the picture was mixed, but it said that in most cases lending rates had fallen since the introduction of negative rates by central banks, despite a squeeze on net interest margins.

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