CAPITAL MARKETS LIMITED

Weekly Market GUIDE

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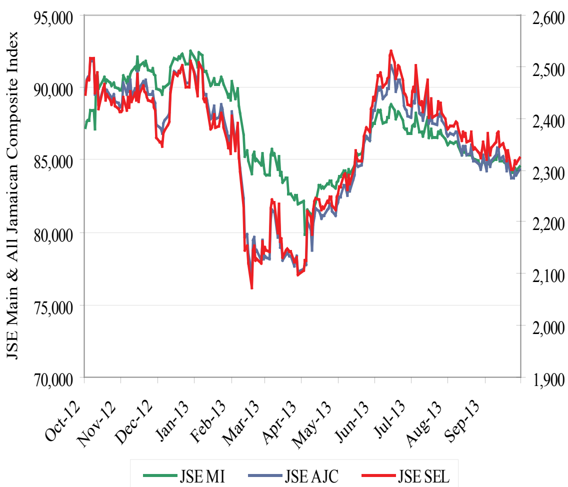
Jamaican Stock Market



Weekly Movement in Indices

Indices	Closing Levels	Change
JSE Combined Index	80,225.69	-1,194.62
JSE Market Index	77,877.89	-1,215.92
All Jamaican Composite	77,202.68	-2,113.83
Jamaica Select Index	2,109.74	-73.82
JSE Cross Listed Index	738.46	-

Most Active Stocks

	Units Traded	%
CCC	5,450,919	38.645
LIME	1,416,142	10.04%
GK	1,344,657	9.53%

Top Winners & Losers This Week

	$ Change	% Change
Winner: BIL	$0.30	15.00%
Winner:CPJ	$0.30	13.64%
Loser:C2W	-$0.06	-17.14%
Loser:JSE	-$0.40	-18.18%

Government Continues to Outperform Fiscal Deficit Target

Data from the Ministry of Finance showed that the government continues to exceed its fiscal target for the Year to October. The fiscal deficit was $19.55Bn or 32.1% better than target. This came largely as a result of expenditure cuts, a trend that has been noticed since earlier in the year as revenues have been underperforming in the wake of weak economic activity.

Revenues & Grants stood at $207.51Bn, 2.6% below the set target. This mainly reflected underperformance of tax revenues which were $187.78Bn or 3.5% below budget. Production & Consumption tax receipt was flat, however, Income & Profit and International Trade underperformed. Revenues from Income & Profit was down 6.5% as PAYE receipts which account for 65.5% of the total was down 7.1%. We expect continued underperformance in PAYE receipts given that the current unemployment situation remains bleak. The unemployment rate dipped to 15.4% in July from 16.3% in April however this could increase in subsequent periods considering that companies are reducing staff complement in order to make way for a more efficient organization. Tax on International Trade was down 4.2% as Custom Duty and SCT receipts registered shortfalls.

The government was able to make up for the falloff in revenues through expenditure cuts which was 6.1% better than budget at $227.06Bn. Capital Expenditure was down 24.2%, while there were savings on programmes and interest costs on the recurrent side. The primary balance target for December under the IMF agreement is $61.6Bn and with very little scope for improvement in revenues, steeper expenditure cuts will have to be effected. The year to date primary balance surplus stands at $40.05Bn. As we move closer to the fiscal year end, there is the risk that expenditure cuts will not be as significant and with continued revenue underperformance, the government's -0.4% fiscal deficit to GDP target and 7.5% primary surplus target could be in jeopardy.

Jamaica Broilers Group (JBG)-Earnings Momentum Continues for JBG

Jamaica Broilers Group (JBG) managed to pull through its second quarter (Q2) with a 14.6% increase in earnings, which followed from the 10% growth in net profit in the first quarter. Given two consecutive quarters of growth, earnings at the half year mark (H1) rose by 8.2% to $300Mn relative to the corresponding period

last year.
During H1JBG benefitted from the recent expansion in fertile egg production in Georgia and increased its procurement activities. This boosted the revenue outturn from the relatedoperating segment, which the group has now categorized as its "US Operations" (+96.5%). Approximately 80% of what is produced in the US is sold to third parties in markets such as Haiti, Mexico, or in the US. The plan is to expand in these existing markets first. This segment is expected to show further growth in the coming quarters primarily by way of revenue consolidation considering that the group just concluded acquisition of England Farms Co. a fertile egg operation based in Arkansas in the US. The group also recently entered into an agreement to acquire local producer and processor of smoked meats, Hamilton's Smoke House, in a move to strengthen its presence in the processed-meats segment.

During the review period, JBG's flagship segment Best Dressed Foodssaw revenue growth of 17.3% to $7,332Mn and segment profit rose 24.8%. However its performance for the remainder of the year will likely be moderate at best, given limitations faced by consumers with respect to their weakening purchasing power. Moreover, JBG has indicated that it is exploring its option to increase chicken prices in wake of the steep devaluation of the JMD and the impact on its costs.
JBG has a book value of $8.24, and is trading at a price to book of 0.52X.

JMD Money Market

In an effort to counteract the inflow of liquidity expected from the various VR notes that paid interest late last week, the BOJ issued a 1-year VR CD on Wednesday, Decemeber11th. While the issue will close today, total take-up at the end of trading on Friday was $774M compared to the previous issue which after two days of trading had absorbed $3.0B from the market. JMD market conditions tightened even further last week with 30 day broker rates as high as 9.40%. With no major inflows expected this week and OMO maturities of only $6.7B, liquidity conditions are expected to remain constrained.

The Bank of Jamaica also issued a 2-year USD CD with a fixed coupon of 4.0% per annum payable semi-annually last week. This offer is also scheduled to close today and has a total take-up thus far of $3.1M. While not a significant amount, the CD has contributed to a decline in USD market liquidity leading to sharp rise in broker rates on longer tenured funds. Market conditions are expected to improve this week as the JAMAIR 2027 and GOJ 2017 Global Bonds pay interest.

Foreign Exchange Market

Selling	Close: 06/12/13	Close: 13/12/13	Change
J$/US$1	105.96	106.12	+$0.16
J$/CDN$1	99.74	99.93	+$0.19
J$/GBP£1	174.26	173.67	-$0.59

US$ purchases for December have been moderately strong, as funds from the Tourism sector begin to enter the market. JMD money market liquidity continues to impact USD trading activity as brokers undertake limited trades being mindful of J$ settlement obligations. The slow, but gradual, slippage of the weighted average selling rate in the currency could spur the BOJ to conduct a sell-side intervention should the pace of J$ deprecation increase. Brokers traded funds in the range J$106.70 –J$106.90

GOJ Globals

Jaman bond trading activity was low key last week with very light volumes being traded. There were buyers of 19s at 98 with small trades being executed at 98.25 while there were offers on 15s at 104.50. There was no trading in JMD bonds apart from retail clients seeking to liquidate their holdings.

Indicative Levels - GOJ Globals

	Bid	Offer	Offer Yield*
2014	101.250	103.250	6.39%
2015	102.750	104.750	5.55%
2017	107.250	109.250	7.57%
2019	97.000	99.500	8.13%
2022	127.250	129.750	6.78%
2025	100.500	102.500	8.90%
2036	93.000	95.000	9.02%
2039	82.500	84.500	9.66%

International News

Venezuela's credit rating was cut by Standard & Poor's on concern that "erratic" economic policies will boost the government's dependence on oil revenue and weaken its ability to manage shocks as foreign reserves decline. S&P lowered the rating one notch to B-, six levels below investment grade and in line with Egypt, Jamaica and Pakistan, and gave it a negative outlook. The downgrade is based on the growing radical economic policy over the last two months in the context of a sustained decline in international reserves and the continued high levels of political polarization. In the run-up to the Dec. 8 municipal elections, the government of President Nicolas Maduro was able to pass in Congress on Nov. 19 a law that delegated special powers to the president, allowing the executive to govern by decree over a wide variety of economic matters for a period of one year. We expect President Maduro to rely extensively on these special powers to increase the public sector's participation in the economy. Over the last two months, the government already extended its control over different sectors of the economy, in particular over commercial activities, in an attempt to boost its chances in the municipal elections. The recent political shift overturns an earlier initiative that had taken place in mid-year to introduce more pragmatic economic policy, such as a more frequent dialogue with the private sector and the introduction of more flexibility in the allocation of foreign exchange.

In light of this, political risk in Venezuela remains high and bond yields are likely to increase further to reflect this.

U.K. Housing Market Seen at Risk of Overheating

Bank of England Governor Mark Carney may be struggling to prevent Britain's housing market from reaching what he calls "warp speed."

About two-thirds of 27 economists in a Bloomberg News survey said property in the U.K. is at risk of overheating. The survey, published today, also showed that the outlook for the economy has improved, with forecasts for growth this quarter raised to 0.7 percent from 0.6 percent last month.

Carney has already taken a first tilt at the market, ending some incentives on mortgage lending in a program the central bank started last year to boost credit. House prices rose to a record in November, Acadametrics said today, while home-loan approvals and sales are increasing, bolstered by a strengthening economy, government incentives and record-

*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.

low interest rates.

"Clearly there is a risk of overheating," said Brian Hilliard, an economist at Societe Generale SA in London and a former BOE official. "It's puzzling to see quite how strong the market has been since the summer. There is an emerging problem, to some extent, and it's right that the method of attacking it has been to use the macro prudential measures."

Carney has justified his decision to revamp the Funding for Lending Scheme by saying that taking small steps now will curtail the need for bigger measures later on.

U.S. Stocks Rise Amid Economic Data as Fed Meets Tomorrow

U.S. stocks rose, after equities posted the biggest weekly drop since August, as investors watched data to gauge the outlook for stimulus before a two-day Federal Reserve meeting that starts tomorrow.

Exxon (XOM) Mobil Corp. rallied 2.8 percent after Goldman Sachs Group Inc. raised the stock's rating. American International Group Inc. rose 1.4 percent after agreeing to sell its plane-leasing unit to AerCap Holdings NV for $5 billion. LSI Corp. jumped 39 percent after Avago Technologies Ltd. agreed to buy it in a deal valued at $6.6 billion. Cirrus Logic Inc. dropped 1.5 percent as Oppenheimer & Co. downgraded the shares.

The Standard & Poor's 500 Index (SPX) advanced 0.6 percent to 1,786.16 at 11:08 a.m. in New York, halting a four-day streak of declines. The Dow Jones Industrial Average rose 125.30 points, or 0.8 percent, to 15,880.66. Trading in S&P 500 stocks was 22 percent above the 30-day average during this time of the day.

"The big issue this week is the Fed's meeting and what, if anything, they're set to do," Mark Luschini, chief investment strategist at Janney Montgomery Scott LLC, which oversees $60 billion, said from Philadelphia."The market seems to be increasingly prepared for the prospects of it, and yet at the same time, has not bought into the notion that it's likely to occur this week."

The S&P 500 last week retreated 1.7 percent, the biggest decline since Aug. 30, amid concern that improving economic data will prompt the Fed to cut stimulus. Policy makers will probably start reducing their $85 billion of monthly bond purchases at the meeting that starts tomorrow, according to 34 percent of economists surveyed Dec. 6 by Bloomberg, up from 17 percent in a Nov. 8 poll.

Fed Taper Message Succeeds as Bonds Adjust to Economic Data

After misleading investors with a time line for tapering its unprecedented stimulus, the Federal Reserve now is stressing that any reduction in bond purchases will depend on the economic outlook -- and the message is sinking in.

Officials surprised traders and roiled markets across the globe on Sept. 18 by maintaining their $85 billion in monthly asset purchases. Investors had clung to Chairman Ben S. Bernanke's May guidance that he might taper "in the next few meetings" of the policy-making Federal Open Market Committee, ignoring the weakest back-to-back months for payroll gains in a year and a jobless rate that was falling partly because workers were leaving the labor force.

The Fed since then has emphasized that changes are "not on a preset course" and hinge on the economy. The result: When unemployment dropped to a five-year low of 7 percent in November, the odds doubled that the central bank would begin tapering its bond buying this week, a Bloomberg survey showed.

"A lot of people, including myself, are now looking at the data and saying, 'Okay, if that's the way they want to go,'" said John Silvia, chief economist at Wells Fargo Securities LLC in Charlotte, North Carolina. Before September, "all of this talk about tapering without the context of the numbers threw the market off.

Unprecedented Circumstances'

Fed Vice Chairman Janet Yellen, the nominee to replace Bernanke as chairman, told the Senate Banking Committee Nov. 14 that communications are "challenging" because the central bank is in "unprecedented circumstances."

"So, it is a work in progress, and sometimes miscommunication is possible," she said at her confirmation hearing in Washington.

The Fed's unexpected decision on Sept. 18 to refrain from changing its policy sent stocks to record highs and triggered the biggest rally in Treasuries since 2011. The yield on the benchmark 10-year note fell 16 basis points, or 0.16 percent, that day to 2.69 percent and continued to drop, reaching 2.5 percent on Oct. 23, according to Bloomberg Bond Trader prices.

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