CAPITAL MARKETS LIMITED

Weekly Market GUIDE

Annya Walker
AVP Research, Strategic Planning & Projects

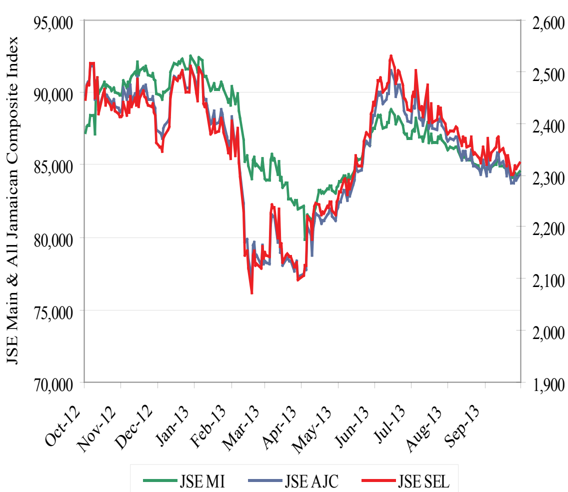
Simone Hudson
Senior Research Analyst
Tel: 935-2585
hudsonsg@jncb.com

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

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

December 23rd 2013

Jamaican Stock Market



Weekly Movement in Indices

Indices	Closing Levels	Change
JSE Combined Index	81,097.41	+871.72
JSE Market Index	78,667.65	+789.76
All Jamaican Composite	78,575.66	+1,372.98
Jamaica Select Index	2,152.31	+43.57
JSE Cross Listed Index	738.46	-

Most Active Stocks

	Units Traded	%
LIME	10,004,467	42.10%
CPJ	2,609,017	10.98%
DTL	2,061,474	8.67%

Top Winners & Losers This Week

	$ Change	% Change
Winner: CCC	$0.55	23.91%
Winner:CBNY	$0.01	33.33%
Loser:GLNR	-$0.08	-6.78%
Loser:SIJL	-$1.75	-6.50%

Another Junior Market IPO Is Coming

Ahead of plans by the government to phase out the special income tax incentives now enjoyed by companies listed on the Junior Market, there has been a surge of activities in recent weeks. In as little as under two weeks the Market is expected to see a second Initial Public Offering (IPO), this time of Knutsford Express. The company, is a luxury ground transportation company, that offers passengers inter-city transportation services. The service began on June 1, 2006 with 28 departures weekly between Montego Bay & Kingston and now has 105 departures weekly. It has expanded this reach to Falmouth, Negril, Savanna-La-Mar, and Mandeville. Knutsford Express has sought to diversify its revenue stream by offering additional services such as Courier services, Private Hire and SpecialEvents Shuttles. Through the IPO, the company intends to issue up to 20Mn ordinary shares in the Invitation of which 4.86Mn shares are newly issued shares and 15.13Mn are shares being sold by existing shareholders. Of the 20Mn shares, there will be 500,000 Board Reserved shares at $5.11; 500,000 Employee Reserved Shares at $5.11, 10,193,738 Lead Broker Reserved Shares at $4.88 each and 8,806,262 shares for the general public at $5.11. This brings the total consideration to $99.8Mn.

We are of the opinion that the stock will be illiquid considering that shares to the general public represent only 8.8% of its issued share capital, post IPO. The free float on this issue is less than that of the most recent IPO, Medical Disposables and Supply Limited, where 17.1% of the company was offered to the public. Stocks which are considered illiquid tend to trade at discount, which takes into account the constraints in offloading the shares in a timely manner. On average, the free float on Junior Market stocks is 24.3%.

The invitation will open, December 27th 2013 and close the same day at 4:30 p.m.The company expects to use the proceeds for working capital support, acquisition of a new coach; upgrade of existing coaches and payment of expenses of the invitation.

Sagicor Life Jamaica to Delist

In the final stage of its move to restructure from Sagicor Life Jamaica (SLJ) to Sagicor Group Jamaica, SLJ's stock units will be delisted from the Jamaica Stock Exchange and replaced with Sagicor Group Jamaica stock units. The change which takes place on December 23, 2013, will see all existing shareholders of Sagicor Life Jamaica Limited holding the same number of shares in Sagicor Group Jamaica Limited and at the same value. Sagicor Group Jamaica Limited will be traded as 'SJ'. The new holding company, Sagicor Group Jamaica, acquired ownership of Sagicor Life Jamaica and all its subsidiaries. After renaming its investment and merchant bank subsidiaries from PanCaribbean Financial Services Ltd to Sagicor Investments and Sagicor Merchant Bank, the Group will be able to leverage its strong brand equity in the market, enable improved capital management as well as join the ranks of large financial groups such as GraceKennedy Group and Scotia Group Jamaica which already completed the restructuring several years ago. The change is also in accordance with the Omnibus legislation which was passed in December 2013. The Omnibus legislation is expected to strengthen the powers of the Bank of Jamaica and the Financial Services Commission by having affiliated companies operate under one umbrella and compressing several laws and legislations into one.

CCC Price Increase

For the third time in 2013, Caribbean Cement Limited has announced that there will be an increase in cement prices. Effective January 2, 2014, home builders and players within the construction industry will have to dig deeper into their pockets and brace for higher prices, as cement prices will be increased by an average of 3.0% on all products. This increase follows the October 22nd adjustment when prices on all products were increased by an average 2.7%. The company has cited that the increase became necessary due to the continued rise in input prices over the past months. The impending cement price increase will represent another blow to the construction industry which has recently rebounded from several quarters of decline. Increased construction activity due to higher housing starts has resulted in a 2.5% growth in the construction industry during the July to September 2013 quarter compared to 4.0% decline a year ago. During the quarter, the volume of mortgages increased by 71.7% with value increasing by 68.8%. Despite the good fortunes experienced in the construction industry in the third quarter, we expect that real GDP value added from the sector will slow in the final quarter. In response to higher cement prices, it is expected that there will be fewer housing starts and housing completions. Moreover, higher building costs given the depreciation in currency, will translate into higher prices for properties. In particular, the market for residential properties could enter a slump as individuals are already facing the realities of strained disposable incomes.

JMD Money Market

The Bank of Jamaica closed its VR CD offer on Monday, December 16th as scheduled. The instrument had a total take-up of $790M, a significant decline when compared to the previous offer which absorbed $3.0B from the market. Both offers were one year instruments with an initial coupon of 7.82%. JMD market liquidity continues to be constrained and with no significant inflows expected as well as reduced activity due to the holiday season, market conditions are not expected to improve before the end of the year.

The BOJ 4.00% 2-year USD CD closed last week Monday with total participation of $9.3M. The instrument saw a significant uptick in its subscription level when it absorbed $6.2M in its final day of trading. USD market conditions continued to deteriorate last week causing market rates to rise sharply as the week progressed. The GOJ 2017 Global Bonds paid interest on Friday which along with a decline in trading activity should somewhat ease the liquidity pressure.

Foreign Exchange Market

Selling	Close: 13/12/13	Close: 20/12/13	Change
J$/US$1	106.12	106.35	+$0.23
J$/CDN$1	99.93	100.11	+$0.18
J$/GBP£1	173.67	176.22	+$2.55

December month-to-date US$ purchases were moderately strong, even as funds entered the Tourism sector. Bids from the tourism sector continued to increase, reaching as high as J$107.40, despite improved inflows from the sector. It is estimated that the BOJ weighted average selling rate will close December at ≈J$106.50. The dollar closed on Friday selling at $106.35

GOJ Globals

Trading activity in the Jaman secondary bond market was very light as the holidays draw closer. The 2019s continued to dominate with trades at 98.25 while there were offers for 15s at 104.50 and not much else happening. 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	6.24%
2015	102.750	104.750	5.50%
2017	107.250	109.250	7.55%
2019	97.000	99.500	8.14%
2022	127.250	129.750	6.77%
2025	100.500	102.500	8.90%
2036	93.000	95.000	9.02%
2039	82.500	84.500	9.66%

International News

On December 18th, the US Federal Reserve indicated that it will be tightening its accommodative monetary policy stance, by trimming its monthly bond purchases(Quantitative Easing-QE) to $75Bn from $85Bn. This marks the first step toward unwinding QE3. In light of the cumulative progress toward maximum employment and the improvement in the outlook for labor market conditions, the Federal Open Market Committee (FOMC) decided to modestly reduce the pace of purchases. The Fed's purchases will be divided between $40Bn in Treasuries and $35Bn in mortgage bonds starting in January. The scale back of QE will mean that the demand for high risk emerging market debt (EMD) will decline as investors reposition their portfolios towards safer instruments such as US Treasuries, in anticipation of higher yields. While the size of the Fed taper can be considered modest, we are of the opinion that there will be some capital outflow from EMs and flight to quality, resulting in a moderate falloff in the prices of these bonds. In spite the downside risks associated with holding EMD at this time, we believe that investment grade EMs will be better able to weather markets risks relative to lower rated credits, considering that fundamentals will now play a greater role in determining the demand for EM debt.

The European Union lost its top credit rating from Standard & Poor's, which cited the deteriorating creditworthiness of the bloc's 28 member nations. S&P cut its long-term rating on the EU to AA+, with a stable outlook, from AAA. The downgrade came after S&P last month lowered its AAA rating on the Netherlands. The ratings agency indicated that "downward pressure could build" if the creditworthiness of highly rated EU countries "was to deteriorate beyond their current expectations," if future budget negotiations are more protracted.

Brazilian Real Climbs as Intervention Seen Supporting Currency

Brazil's real advanced the most among major Latin American counterparts on speculation the central bank will help prevent it from falling further after last week's drop.

The currency appreciated 0.5 percent to 2.3746 per U.S. dollar at 2:13 p.m. in Sao Paulo. Swap rates on contracts maturing in January 2017 fell three basis points, or 0.03 percentage point, to 12.32 percent.

The currency tumbled 2.4 percent last week as the Federal

*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.

Reserve said it would reduce monthly bond purchases that kept Treasury yields low and buoyed demand for emerging-market assets. The dollar fell today against most major counterparts as investors exited bets on further increases before year-end.

"It would be natural that the dollar adjusts in Brazil," Jose Carlos Amado, a currency trader at Renascenca Dtvm in Sao Paulo, said in a telephone interview. "Knowing that the central bank is paying attention, the market could back down a bit."

Economists covering Brazil raised their 2014 inflation forecast to 5.97 percent from 5.95 percent, according to the median of about 100 estimates in a weekly central bank survey published today. They cut their 2013 year-end real outlook to 2.34 from 2.33.

The currency has fallen 6.6 percent in the fourth quarter, the most among 16 major dollar counterparts, on concern Brazil's fiscal deterioration will lead to a reduced credit rating and amid speculation that the tapering of Fed stimulus will sink demand for the nation's assets.

Rating Outlooks

Standard & Poor's and Moody's Investors Service lowered their outlooks this year on Brazil's credit rating, which both have at two levels above junk. The government's budget deficit as a percentage of gross domestic product swelled to 3.4 percent in October, the widest since 2009.

The central bank said Dec. 18 it plans next year to reduce the intervention program announced in August to support the currency and limit import price increases.

Brazil will auction $200 million of foreign-exchange swaps on trading days from January through at least the end of June, down from offerings of $500 million four days a week this year. The central bank sold swaps worth $496 million today.

Spain Bonds Drop With Italy's on Bets Banks are Cutting Holdings

Spanish bonds fell, with 10-year yields rising the most in seven weeks, amid speculation domestic banks are reducing holdings of the securities before the European Central Bank reviews their balance sheets in 2014.

Italian bonds also dropped, while benchmark German bund yields approached the highest level in two months. France's 10-year rate rose as the nation sold 4.64 billion euros ($6.4 billion) of bills maturing between 90 and 349 days. Spanish government bonds returned 11 percent this year, according to the Bloomberg World Bond Indexes. European markets close tomorrow for Christmas and re-open on Dec. 27.

"We've seen some weakness in Spain and Italy which may be due to domestic banks reducing their holdings," said Riccardo Barbieri Hermitte, the managing director of fixed-income research at Mizuho International Plc in London. "Banks want to come to the end of the year with lower holdings of government bonds ahead of the ECB assessment."

Spanish 10-year yields climbed seven basis points, or 0.07 percentage point, to 4.22 percent at 4:17 p.m. London time. That's the biggest jump since Nov. 5. The yield rose to 4.24 percent earlier, the highest since Dec. 6. The 4.4 percent bond due in October 2023 fell 0.585, or 5.85 euros per 1,000-euro face amount, to 101.445. The rate on similar-maturity Italian bonds increased six basis points to 4.18 percent.

Stress Tests

The ECB will review banks' balance sheets in early 2014 and conduct stress tests before officially taking over as banking regulator in a year's time, it said on Oct. 23.

Europe's so-called peripheral debt has climbed this year as the euro region exited its longest recession on record, and central banks around the world pursued easy monetary policies, prompting investors to seek higher-yielding assets.

Spanish 10-year yields have fallen from this year's high of 5.59 percent reached in February, while the rate on similar-maturity Italian bonds has slipped from a high of 4.96 percent, also set in February

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 (I) 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.