CAPITAL MARKETS LIMITED

Weekly Market GUIDE

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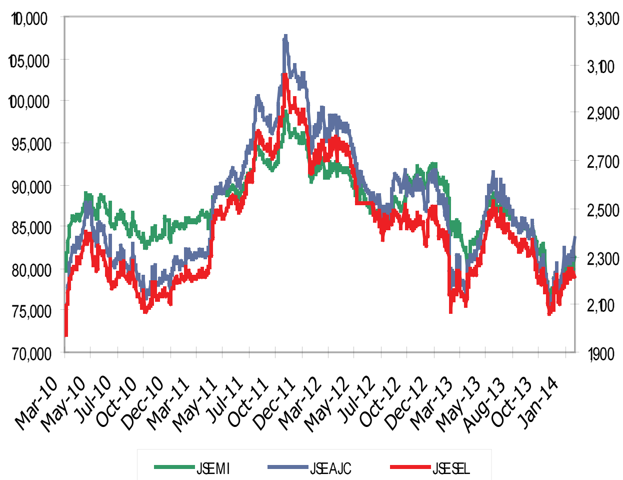
Jamaican Stock Market



Weekly Movement in Indices

Indices	Closing Levels	Change
JSE Combined Index	72,292.28	-674.68
JSE Market Index	69,741.08	-755.56
All Jamaican Composite	76,691.40	-844.84
Jamaica Select Index	2,079.71	-16.47
JSE Cross Listed Index	585.90	-
Junior Market index	719.35	+3.93

Most Active Stocks

	Units Traded	%
SG	18,640,975	38.85%
SGJ	4,687,965	9.77%
NCBJ	4,622,301	9.63%

Top Winners & Losers This Week

	$ Change	% Change
Winner: CBNY	+$0.01	14.29%
Winner:CCC	+$0.19	9.22%
Loser:MIL	-$0.28	-16.18%
Loser:KREMI	-$0.13	-15.66%

IMF Gives Nod of Approval

The Executive Board of the International Monetary Fund recently concluded the Article IV consultation and fourth review underthe Extended Fund Facility (EFF) with Jamaica. The completion of the review enables the disbursement of an amount equivalent to SDR 45.95Mn or US$70.9Mn bringing the total disbursements under the arrangement to SDR 268.59Mn or US$414.4Mn. In its review, the IMF lauded the government for the adoption of a comprehensive economic reform program earlier in the year which helped to tackle the challenges of low growth and high debt. While the economy has been recovering from the spate of decline over prior quarters, growth on a forward looking basis is positive but weak. The IMF estimates growth of 0.9% in FY2013/14 predicated on improvements in mining, agriculture and tourism. The steadfast implementation of planned policies is expected to support a gradual economic recovery. The expected continuation of tight fiscal policy and a fiscal rule anchored on a reduction in public debt to 60% of GDP by 2025/26, will likely constrain growth in the short term.

Growth is projected to reach almost 1.5% in 2014/15, as the negative fiscal impulse comes to an end. The gradual impact of various supply side reforms and rising confidence are expected to help raise growth to beyond 2% over the medium term. The risks to the outlook remain high, however, and include a possible disruption of external financing flows, natural disasters, lower partner-country growth, and oil price shocks.

Directors of the IMF commended the Jamaican government for fiscal consolidation aimed at reducing public debt to sustainable levels. They welcomed in particular the achievement of a primary surplus, progress on tax reform, and the adoption of a fiscal rule. However greater effort is needed in improving tax collection. At the same time, accelerated efforts are needed to reform the public sector and contain the wage bill, address contingent fiscal risks by strengthening the performance of public entities, and improve public financial management to better leverage the growth impact of scarce public investment.

Earnings Performance-Carreras

Carreras' performance for the financial year ended March 2014 reflected the impact of the smoking ban that was implemented on July 15th last year and the absence of pension surplus which was a significant contributor to income in the prior financial year. As such, earnings declined by 35.8% to $4,003.18Mn (EPS: $8.24) relative to the corresponding prior year. When we compare the current results with normalized earnings of FY2012/13 Carreras' net profits were relatively flat. Revenues fell by 15.5% to $10,342.01Mn as consumer demand declined in the wake of the implementation of the smoking ban. Despite the lower revenue outturn, gross profit margin improved marginally from 46.4% in FY2012/13 to 49.1% in FY2013/14 as the company saw lower cost of sales over the period. On the cost side, Carreras' low cost model continue to pay off as distribution, selling and administrative expenses increased by 2.1% over the twelve month period. Nevertheless, the net profit margins underperformed relative to last year given the falloff in profit. Net profit margin was 38.7% in 2014 compared to 50.9% in 2014.

Going forward, we anticipate that the company will continue to face headwinds as regulatory and economic pressures continue to weigh on topline growth and profitability. That said, the introduction of new products to the market, is likely to help balance the negative effects of these pressures. At its current price of $35.52, the trailing P/E is 4.07X while the company's P/B is 3.88X.

JMD Money Market

The Bank of Jamaica issued a 364- and 552-days VR CD on Friday, June 20th with initial coupons of 8.62% and 8.64%. The issues, which are scheduled to close on Wednesday, June 25th, had a combined take-up of J$659M at the end of trading on Friday. JMD liquidity levels continued to be low this week and are not expected to show any noticeable improvement in the short term.

The Central Bank also issued a 4- and 5-years USD CD on Friday with a coupon of 5.00% and 5.50%, respectively. These issues are also scheduled to close on Wednesday, June 25th and absorbed a combined US$1.1M from the market in its first day of trading. Market liquidity levels continue to be fair with no notable change in broker market rates.

Foreign Exchange Market

Selling	Close: 13/06/14	Close: 20/06/14	Change
J$/US$1	111.55	111.86	+$0.31
J$/CDN$1	102.45	103.52	+$1.07
J$/GBP£1	188.37	190.24	+$1.87

The market was quiet for the majority of the week, but picked up towards the latter part. Both end-user and broker demand increased, which saw the dollar trading at a high of $112.40. End-user demand was driven by month end payables. At the end of trading of Friday the dollar closed at a weighted average selling rate of $111.86.

GOJ Globals

Jaman global bonds were actively traded last week with NROCC and 2025s leading the way. There were also trades on 2015s and 2022s as international investors continued to chase higher yields in emerging market debt. Trading in local currency bonds was once more limited to retail size trades.

Indicative Levels - GOJ Globals

	Bid	Offer	Offer Yield*
2014	101.500	103.000	1.45%
2015	104.000	105.250	3.24%
2017	114.250	116.250	4.72%
2019	107.000	109.000	5.45%
2022	124.250	126.250	7.08%
2025	113.750	115.750	7.19%
2036	103.000	105.000	8.01%
2039	96.000	98.000	8.19%

International News

The IMF is dropping an exception to its lending rules that enabled Greece to obtain a loan in 2010 without having to first restructure its debt. The exemption was established at the start of the European debt crisis to prevent contagion by allowing some nations to receive financing even though the fund could not say with "high probability" that their debt was sustainable. In a report released recently, the IMF staff proposed that a country's creditors instead, will be asked for a relatively short extension of maturities in exchange for IMF support. The Fund has been trying to draw lessons from its bailouts in the euro region and in particular in Greece, which in 2012 endedup pushing through the largest sovereign restructuring in history. The proposed changes aim to give flexibility to 2002 rules applying to countries seeking financing above normal limits. Until the 2010 exemption, the Fund could either consider that their debt was sustainable with "high probability" and agree to a loan, or in effect force a debt restructuring for the others.

Home Sales Pickup Shows Healing U.S. Real Estate Market: Economy

Americans snapped up previously owned homes in May in the biggest monthly sales gain in almost three years, a sign the residential real estate market is regaining its footing after a stumble early in the year. Purchases climbed 4.9 percent, the biggest increase since August 2011, to a 4.89 million annualized rate, figures from the National Association of Realtors showed today in Washington. The level was the strongest since October. The report also showed price appreciation is slowing as more homes become available. A more balanced market, including a wider selection of properties, smaller price gains and still-low borrowing costs, may encourage more Americans to buy as employment strengthens. Improving demand will probably spur a pickup in construction, and builders such as Hovnanian Enterprises Inc. (HOV) are optimistic.

The housing recovery is going to continue," said Tom Simons, an economist at Jefferies LLC in New York,

*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.

who projected sales would rise to a 4.8 million pace. "Income levels are going up, rates are at least not going up anymore, and prices are stabilizing, so all that blends into a good picture for affordability." Stocks fell, after the Standard & Poor's 500 Index closed at a record, as industrial shares sank. The S&P 500 declined less than 0.1 percent to 1,961.68 at 12:33 p.m. in New York.

Euro-Area Survey Shows Weakening as French Woes Worsen: Economy

Euro-area manufacturing and services activity weakened in June amid a further slowdown in France's economy, underscoring the fragility of the recovery in the 18-nation region. A Purchasing Managers Index for both industries slipped to 52.8 in June from 53.5, Markit Economics said today. That's the 12th month the gauge has exceeded 50, the mark that signals expansion. Economists predicted a reading of 53.4, according to the median of 25 estimates in a Bloomberg News survey. A measure of Chinese manufacturing rose to a seven-month high.

The euro area is struggling to sustain a recovery that received a bleak assessment from the International Monetary Fund on June 20. Earlier this month, the European Central Bank introduced a negative deposit rate, announced targeted loans to stimulate lending and held out the prospect of asset purchases to stoke growth and inflation in the region. "The pace of recovery is slowing down," said Martin van Vliet, senior economist at ING Groep NV in Amsterdam. "The further weakening of the PMI vindicates the ECB's recent decision to implement further monetary easing."

The euro dropped 0.1 percent today and traded at $1.3582 at 10:55 a.m. Frankfurt time. The Stoxx Europe 600 Index is down 0.6 percent at 346.15.

In China, a preliminary factory PMI from HSBC Holdings Plc and Markit rose to 50.8, exceeding the 49.7 median estimate of analysts surveyed by Bloomberg News, and a final reading of 49.4 in May.

U.S. housing regaining footing as supply improves

U.S. home resales rose more than expected in May and the stock of properties for sale was the highest in more than 1-1/2 years, suggesting that housing was pulling out of a recent slump.

The National Association of Realtors said on Monday existing home sales increased 4.9 percent to an annual rate of 4.89 million units. May's increase was the largest since August 2011.

"The housing market has quite some ways to go to recover its recent sluggishness, but positive momentum in the sector suggests that housing has begun to show signs of life," said Gennadiy Goldberg, an economist at TD Securities in New York.

Economists had forecast sales rising only 2.2 percent to a 4.73 million-unit pace last month. Sales, which rose in all four regions, were driven by the single-family home segment, the largest portion of the market.

They likely reflected a pause in mortgage rates. The housing recovery stalled in the second half of 2013 as interest rates increased and prices surged against the backdrop of a dwindling supply of properties available for sale.

Despite the second consecutive month of gains, sales were down 5.0 percent compared to May last year. They remain down 9 percent from a peak of 5.38 million units hit in July.

Still, the increase in sales will be welcomed by the Federal Reserve, which is closely watching the housing market as it contemplates the future course of monetary policy.

Fed Chair Janet Yellen has warned a prolonged slump could undermine the economy. The relatively bullish housing report offered further evidence that the economy has regained strength after weakening sharply in the first quarter.

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