Weekly Market GUIDE

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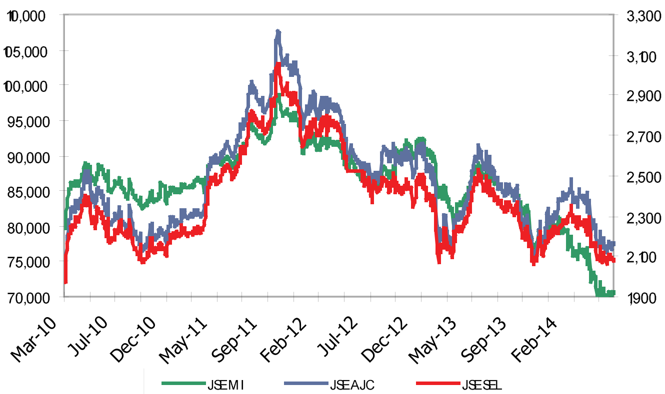
May 18th 2015

Jamaican Stock Market



Weekly Movement in Indices

Indices	Closing Levels	Change
JSE Combined Index	101,419.02	+1,994.24
JSE Market Index	98,992.10	+1,572.57
All Jamaican Composite	109,396.05	+1,758.21
Jamaica Select Index	2,984.92	+41.17
JSE Cross Listed Index	585.90	-

Most Active Stocks

LIME	2,816,890	17.17%
MIL	2,751,979	16.78%
NCBJ	2,736,732	16.68%

Top Winners & Losers This Week

	$ Change	% Change
Winner:RJR	+0.40	20.00%
Winner:JSE	+$0.42	+14.38%
Loser:CCC	-$0.56	-11.18%
Loser:GK	-$0.49	-0.75%

SRA Closes the Financial Year on a Sour Note

Sweet River Abattoir (SRA) closed the financial year reporting losses of $6.3Mn which was attributable to lower revenues and higher finance costs. Inadequate supply of pigs for slaughtering continued to severely impact the company's performance. Pig farming typically has a three year boom bust cycle. A boom began in 2012 as pig farmers re-entered the market following the shortage in the prior year which resulted in higher prices. However the cycle is nearing its end, which has negatively impacted supply. Sweet River sources approximately 60% of its pigs from 10 contract farmers with the remaining 40% coming from approximately 395 small farmers across ten parishes in Jamaica. The outsourcing of pigs from farmers limits the amount of control that Sweet River has in creating a steady supply of pigs. However there are indications that the company is attempting to work with a number of other farmers in order to shore up supplies.

For the full financial year, revenues declined by 61% to $121.5Mn. While costs of sales saw a notable decline, this was not enough to prevent the 51% falloff in gross profit and the narrowing of its gross profit margin. Operating expenses amounted to $28.4Mn.

Since listing on the Junior Stock exchange in September 2014 at the IPO price of $3.86, the stock has seen only limited trading activity and currently has a market price of $3.87.

GK Earnings

GK posted a lackluster performance at the close of the first quarter(Q1) of its new financial year. Despite stronger revenues, up 16% to $21,082Mn, this did not filter through to its bottom-line due to the recognition of the asset tax liability in Q1, lower foreign exchange gains and higher finance costs. Net profit stood at $589.1Mn (EPS:$1.78).

The GK Foods segment saw strong growth (+24.3%) which was attributable to its Jamaican and International business. However profit at Grace Foods USA was negatively impacted during the process of integrating the Grace brands with the newly acquired "La Fe" business. Domestic performance was helped by its "Grace on the Move" promotional campaign.

The Financial Services segment experienced lower revenues and earnings when compared to the prior year. The result of the banking and investment segment were impacted by higher asset tax charge in the first quarter.

Despite the less than favorable performance in Q1, the stock price has held firm and is up by 5.7% since the start of the year. GK is now trading at a price of $64.50, which is close to its 52 week high of $65.50.

Sterling Investments Ltd Records Lower Earnings

Sterling investments Ltd's (SIL) net profit for the quarter ended March 2015 was $10.31Mn. This represents a 46.5% year-on-year decline in earnings when compared to the corresponding period last year. The dip in net profit stemmed from the lower operating income outturn during the first quarter. SIL has heavily depended on foreign exchange gains in previous financial terms, however the slowdown in the pace of depreciation over the reporting period weighed on the company's foreign exchange gains. Despite a 30% increase in interest income, the 83.9% decline in foreign exchange gains eroded total operating income. As such, total revenues were $19.5Mn, $6.62Mn lower than the amount reported in Q1 2014.

On the cost side, fees associated with the company's listing on the Jamaica Stock Exchange and the engagement of the Jamaica Central Securities Depository pushed operating expenses up 25.5% to $8Mn. The higher costs coupled with lower revenues resulted in the efficiency ratio deteriorating from 24.4% in Q1 2014 to 41.1% in Q1 2015.

At a price of $13.40, SIL's trailing P/E was 9.93X while its P/B was 1.01X.

Higher Revenues, Lower Taxes & Finance Costs Anchor KW's Earnings

Kingston Wharves Ltd (KW) started off the 2015 financial year well. Earnings for the first quarter of the year were $187.1Mn, a 38.5% year-on year increase over the same period in 2014. This was largely on account of a $163Mn increase in revenues due to higher transshipment and domestic volumes, break bulk tonnage and motor units volumes. Consequently, revenues for the first quarter were $1,015.6Bn (up 19%). However, despite registering gross profit, the company's gross profit margin moved down by 100 basis points to 40.9% on account of higher cost of sales. Administrative costs grew by 3.1% to $199.1Mn. The management's strategic move to improve productivity and efficiency seems to be making headway as the pace of increase is lower than the 12 month point-to-point inflation of 4% as March 2015. Overall, lower finance costs on account of the slower depreciation in the local currency, also helped to result in KW registering a 2.6 percentage point improve in net profit margin to 18.4%. KW also recorded lower taxes on account of its designation as a free zone.

The rebound in macroeconomic conditions along with the improvement in both consumer and business confidence and investments should provide support for increased activities for the port during the financial year. Lower taxes should also help to life 2015 earnings.

At its current price of $6.18, KW's trailing P/E was 9.86X while P/B was 0.52X.

Foreign Exchange Market

Selling	Close: 08/05/15	Close: 15/05/15	Change
J$/US$1	115.85	116.10	+$0.25
J$/CDN$1	95.69	96.61	+$0.92
J$/GBP£1	178.10	182.55	+$4.45

Conditions in the foreign exchange market were relatively unchanged from the previous week. US$ supplies were low and there was moderate to heavy end-user demand. Throughout the week, the US$ traded in the range of $115.90- $116.35. On Friday, the weighted average selling rate was $116.10/USD1.

GOJ Globals

Jaman global bond trading activity was fairly light last week due to renewed talks of a Fed rate increase. The Jaman 25N was the most actively traded security once again at a price of 112.25. Trading in JMD bonds was limited to retail volumes.

Indicative Levels - GOJ Globals

	Bid	Offer	Offer Yield*
2017	114.000	116.000	2.67%
2019	108.500	110.500	4.32%
2021	108.500	110.500	5.10%
2022	127.250	128.750	6.27%
2025	111.250	113.000	5.77%
2036	111.250	113.250	7.25%
2039	109.500	111.500	6.98%

International News

Treasury yields dropped and the dollar eased on Friday following a stabilization in European government bonds and another batch of weak U.S. data that raised expectations the Federal Reserve will need to wait longer to hike interest rates.

U.S. stocks finished near flat, though the S&P 500 eked out another record closing high and major indexes posted gains for the week. The MSCI World equity index gained 0.26% and was up for the week as well. Data showed U.S. industrial production fell for a fifth straight month in April, in part as oil and gas drilling declined further. A separate report showing a sharp drop in U.S. consumer confidence in early May also underscored a lackluster economic picture for the United States. The data follows weak retail sales and producer inflation data this week, suggesting the Fed will probably not raise interest rates anytime soon.

The market is getting more concerned that the economy weakened through the first quarter into the second quarter, and that pushes the Fed back further and further and people get more comfortable jumping back into Treasuries.

Dollar rebounds off lows, Greek bond yields jump

The dollar bounced back from four-month lows on Monday, while Greek bond yields jumped on worries the country would not be able to make its debt payments. Wall Street added slightly to gains, pushing the benchmark S&P 500 to a fresh all-time high.

Oil prices retreated, as supply worries, triggered by advances by Islamic State militants in Iraqi, eased. U.S. Treasuries were weaker.

Greek two-year sovereign bond yields GR2YT=TWEB rose nearly 300 bps to just shy of 24 percent as investors fretted the country would be unable to make a debt repayment to the International Monetary Fund next month.

“Greece is running on fumes and the risk of non-payment of some form is riding high ... These are desperate times and desperate stakes,” Rabobank fixed income strategist Richard McGuire said.

The country made a May 12 payment to the IMF only by emptying an IMF holding account, and a leaked IMF memo acknowledged Greece had little chance of

*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.

making a scheduled June 5 payment. Many in the market say the next two weeks will be crucial for the country.

The dollar was last up nearly 1 percent at $1.1352 against the euro, which had risen more than 8 percent against the U.S. currency since April 13.

A recent run of softer-than-expected U.S. economic data has encouraged bets that the Federal Reserve will hold off on its first interest rate hikes in nearly a decade, and that has interrupted several months of dollar gains against key world currencies.

Adding fuel to that, Chicago Fed President Charles Evans said Monday that while a rate hike could come as early as June, they should start rising early in 2016. Evans is considered one of the Fed's most dovish members, generally in favor of looser policy.

Wall Street edged up slightly. The Dow Jones industrial average .DJI was up 14.91 points, or 0.08 percent, at 18,287.47, the S&P 500 .SPX added 3.88 points, or 0.18 percent, at 2,126.61 and the Nasdaq Composite .IXIC was up 13.95 points, or 0.28 percent, at 5,062.24.

The MSCI world equity index .MIWD00000PUS, which tracks shares in 45 nations, dropped modestly, shedding 0.12 point, or 0.03 percent, to 442.24.

In Europe, the pan-European FTSEurofirst 300 stocks index .FTEU3 was little changed as the market was stung by lackluster energy sector earnings, volatile financial shares and Greece's precarious finances.

Asian shares had earlier mostly fallen as investors fretted over U.S. data on Friday that suggested growth was slowing in the world's largest economy.

U.S. Treasuries prices fell. Ten-year Treasury yields, which fell after Friday's data, rose and last stood at 2.2073 percent, reflecting a price decline of 19/32.

German 10-year yields DE10YT=TWEB were steady at 0.65 percent.

Brent crude LCOc1 was off 42 cents to $66.39 a barrel after Goldman Sachs analysts slashed their 2016-2020 price outlook due to expectations for persistently high supply. That curbed worries about supply interruptions amid a major advance by Islamic State militants in Iraq and renewed air strikes by a Saudi-led coalition against Houthi militia in Yemen.

China April home prices fuel hopes of bottoming out, but long road to recovery

China's new home prices fell for the eighth consecutive month in April from a year earlier but were flat from March, adding to hopes that a property downturn which is weighing heavily on the economy is beginning to bottom out.

But analysts warned any recovery in the market will take some time given a huge inventory of unsold homes, and said the property sector remains the biggest risk to the world's second-largest economy, which looks set for its worst year in 25 years.That will keep pressure on policymakers to roll out more interest rate cuts and other stimulus measures later this year to boost activity.

Average new home prices in China's 70 major cities dropped 6.1 percent last month from a year ago, the same rate of decline as in March, according to Reuters calculations based on official data published on Monday. But nationwide prices steadied from March, further narrowing from a 0.1 percent fall in the previous month.

Beijing saw prices rise, albeit modestly, for the second month in a row, while those in Shanghai rose for the first time in 12 months. But prices in many smaller cities, which account for around 60 percent of national sales, continued to fall.

"We expect home sales to see year-on-year growth in the second half of the year, and home prices in third- and fourth-tier cities to also bottom out in the second half," said Nomura chief China economist Zhao Yang.

"But the big impact for the overall economy is from property investment, where I don't expect a quick rebound in growth... that's why we forecast China will miss its 7 percent target (for 2015)."

Zhao said real estate investment, which comprises around 20 percent of China's GDP, may grow less than 5 percent this year, compared with 10.5 percent in 2014, knocking 1 percentage point off economic growth.

Data last week showed home sales measured by floor area rebounded 7.7 percent in April from a year ago, the first growth since November 2013.

But real estate investment growth continued to slow in the first four months of 2015 to the lowest since May 2009 as new construction slumped, impacting demand for everything from steel and cement to appliances and furniture.

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