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NCB CAPITAL MARKETS LIMITED

Weekly Market GUIDE

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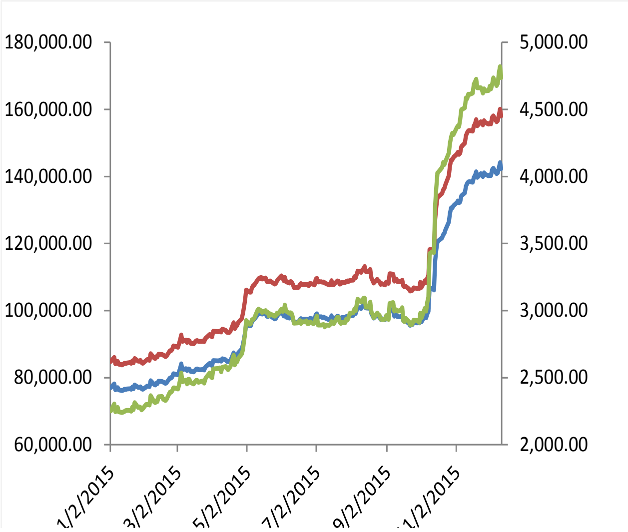
Jamaican Stock Market



Weekly Movement in Indices

Indices	Closing Levels	Change
JSE Combined Index	166,676.48	+8,407.34
JSE Market Index	156,723.37	+6,031.24
All Jamaican Composite	174,103.51	+6,740.26
Jamaica Select Index	5,344.06	+364.32
JSE Cross Listed Index	499.06	-

Most Active Stocks

	Units Traded	%
LASM	9,652,525	18.52%
KW	6,310,674	12.11%
CCC	5,373,754	10.31%

Top Winners & Losers This Week

	$ Change	% Change
Winner: GLNR	+$1.33	+102.31%
Winner: RJR	+1.36	+37.16%
Loser: PURITY	-$0.15	-10.14%
Loser: MDS	-$0.25	-7.04%

Market Analysis & Commentary

In the first full week of trading since the new year, demand for stocks remained robust and prices continued their upward trajectory. Winners outnumbererd losers by almost 3 to 1. Volumes totalled 52.2Mn units valued at over $586Mn. At the close of the week, the JSE Combined Index rose by 8,407.34 points or 5.3%, while the JSE Main Index closed 6,031.24 points or 4.0% higher.

We continue to favour local equities as economic conditions continue to create the right environment for a continued bull-run. The IMF has relaxed the primary balance target for the next two years which should induce economic growth and by extension the profitability of local companies. This bodes well for increased shareholder returns.The anticipated increase in liquidity from the Heineken payout and the GOJ maturity will have a positive impact on the stock market as investors seek attractive investment opportunities to place excess funds. In addition, initiatives such as the Jamaican Depository Receipt (JDR) Program which would provide investors with exposure to international equities should help to boost market activity.

Kremi “Scoops” up Higher Profits in Q3

Caribbean Cream Ltd (KREMI) posted net profit of $123.69Mn (EPS: $0.33) for the nine month period ended November 2015. This represents an increase of 298.0% relative to the same period in 2014. The significant improvement in financial performance was primarily due to higher revenues and lower input cost. Increasing sales from KREMI’s higher margin items led to total revenues moving up by 10.4% to $818.39Mn. This, coupled with a $44.16Mn decline in cost of sales resulted in a notable improvement in gross profit margins. KREMI’s margins benefitted from price reductions on its key product ingredients, lower electricity costs and a reduction in process times. Consequently, gross profit margin was 12.2 percentage points higher at 39.5%. On the cost side, total operating expenses increased by $32.34Mn (+20.7%) to $188.40Mn. High sanitation and haulage costs placed pressure on KREMI’s bottom line. However, the company’s robust sales performance, cost management strategy and lower finance costs supported stronger margins. Net profit margin was 15.1% versus 4.2% for 2014.

KREMI’s strong performance is expected to continue throughout the rest of the financial year. The company has managed to establish a strong market position and increased popularity which has resulted in growing demand for its products. Recently, management indicated that they intend to invest $100Mn in a bid to double the base capacity of its mixing plant and rack storage space. This investment will also be used to upgrade its hot water system. The increased storage space will enable more production to meet demands while the upgrade to its mix plant will allow KREMI to combine ingredients faster to make its different ice cream flavours and increase its product portfolio. These factors augur well for further growth in the near term.

Improving Economic Conditions in the US Drive Remittances

Net Remittances continued to perform well throughout the month of September 2015. Remittance inflows totaled US$183.4Mn, the highest monthly inflows that the country has recorded since the 2008 global economic downturn. Robust inbound funds from the US were able to offset declines from the UK, Canada and Cayman source markets. Consequently, net remittances were US$163.7Mn, 0.9% higher than the amount recorded in September 2014.

On a year-to-date basis, the growth in net remittances was just as encouraging. Remittances net of outflows for the January to September 2015 period was US$1,481.8Mn which was US$47.8Mn (+3.3%) more than that recorded last year. Earnings growth in the Leisure & Hospitality, Education and Health sectors in the US – sectors to which numerous Jamaican migrants are employed – have helped to support increased inflows. Remittance inflows for the nine month period came in at a 10 year high at US$1,652.2Mn.

In recent months, UK's economy has been losing momentum, knocked by weaker household spending and concerns about the global outlook. During October 2015, business activity grew at the slowest pace in more than two years in Britain's dominant services sector. With economic growth in the UK set to slow down and given that this is Jamaica's second largest source market, the US economy will be integral for remittance growth going forward. The U.S. economy grew at a healthier clip in the third quarter than initially thought, but strong inventory accumulation by businesses could temper expectations of acceleration in growth in the final three months of the year. The Commerce Department on Tuesday said the nation's gross domestic product grew at a 2.1 percent annual pace, not the 1.5 percent rate it reported last month.

Net International Reserves Continue on its High

Jamaica's net international reserves (NIR) as at December 2015 totaled US$2,437.27Mn. This was US$93.93Mn more than November's reserves and is above the IMF's target floor of US$2,336.7Mn. The growth in reserves was driven by the 4.9% increase in foreign assets. This represents 22.98 weeks of goods and services imports.

JMD Money Market

JMD liquidity conditions improved last week as JMD demand eased following the holiday season. Inflows from the GOJ 2020 VR, which paid interest of approximately J$1.1Bn on January 7th, also contributed to the boost market liquidity levels.

Foreign Exchange Market

Selling	Close: 31/12/15	Close: 08/01/16	Change
J$/US$1	$120.42	$120.63	+$0.21
J$/CDN$1	$84.91	$84.71	-$0.20
J$/GBP£1	$177.12	$174.81	-$2.31

Demand from brokers and end users increased significantly during the last trading week. However, there was sufficient supply in the market to cover the excess demand. The dollar actively traded between J$120.70 and J$121.10, but closed on Friday at a weighted average selling rate of J$120.63.

GOJ Global Bonds

Jaman global bond trading activity was very robust last week with local demand being the driving force. The Jaman 28 was the most actively traded at 99.75 while 19s traded at 108.25 and 17s at 108.40.

Indicative Bond Prices

	Bid	Offer	Offer Yield*
2017	108.125	109.500	3.75%
2019	107.000	108.500	4.28%
2021	107.500	108.500	5.40%
2022	127.000	130.000	5.66%
2025 (N)	106.250	107.500	6.46%
2025	115.000	116.375	6.91%
2028	98.750	100.000	6.74%
2036	107.000	108.250	7.69%
2039	102.875	104.500	7.58%
2045	95.750	97.500	8.10%

International News

The World Bank cut its global economic growth forecast for 2016, stating that the weak performance of major emerging market economies will compress activity overall, as will anemic showings from developed countries such as the United States. Global growth should accelerate to 2.9% this year from 2.4% in 2015, the Bank said, but that still represents a downgrade from its June forecast for 3.3% growth. The bank raised particular concern about the flagging performance of top emerging economies. "Given the size and global economic integration of the largest emerging markets - Brazil, the Russian Federation, India, China, and South Africa, or the so-called BRICS - the simultaneous slowdown underway in all but one of them could have significant spillovers to the rest of the world," the report said. China's GDP growth was estimated to slow to 6.7% in 2016 from an estimated 6.9% in 2015. The World Bank also trimmed its outlook for the United States and other developed economies. The US economy is expected to expand by 2.7%, 10 basis points lower than the previous forecast, but still up from 2015's estimated growth of 2.5%. Meanwhile, projections for growth in the euro zone were trimmed by the same amount, to 1.7%, although that would mark a modest acceleration from 2015's estimated 1.5%.

Euro-Area Economic Confidence Rises to Highest Since 2011

(Bloomberg) Euro-area economic confidence unexpectedly rose in December in a sign that new stimulus from the European Central Bank may be providing impetus to the region's fragile recovery.

An index of executive and consumer confidence jumped to 106.8 from 106.1 in November, the European Commission in Brussels said on Thursday. That's the highest since April 2011 and compares to a median estimate for a drop to 106 in a Bloomberg survey of economists. Unemployment fell to 10.5 percent in November, according to a separate report from Eurostat.

The pick-up in confidence gives the Frankfurt-based central bank some respite after investors expressed disappointment over its latest stimulus effort to nurture growth and return inflation toward 2 percent speedily. While surveys of purchasing managers point to a slowly strengthening recovery, weakening global trade is threatening exports.

A gauge for sentiment in industry rose to minus 2 in November from minus 3.2, and a measure for confidence in services

*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.

increased to 13.1 from 12.8, the Commission said. Sentiment among consumers and builders also improved.

Robust U.S. payrolls brighten economic outlook

(Reuters) U.S. payrolls surged in December and the job count for the prior two months was revised sharply higher, showing the economy on solid ground despite a troubling international backdrop.

Nonfarm payrolls increased by 292,000 last month, the Labor Department said on Friday, as hiring got a boost from unseasonably warm weather. The unemployment rate held steady at a 7-1/2-year low of 5 percent even as more people entered the labor force, a sign of confidence in the job market.

The robust employment data helped soothe fears about the economy's health, and suggested recent weakness would largely be contained to the manufacturing and export-oriented sectors, which have been hit by a strong dollar and anemic global demand. Efforts by businesses to whittle down an inventory glut and spending cuts by energy companies have also inflicted pain.

Slumping oil prices and slowing growth in China have cast a pall on the outlook for the global economy.

The upbeat employment report briefly helped staunch the bleeding on Wall Street, but was offset by further declines in oil prices. The dollar firmed against a basket of currencies as traders ramped up bets the Federal Reserve would raise interest rates in March. Prices for U.S. government debt rose on safe-haven bids.

Concerns about a slowdown in China, the world's second-largest economy after the United States, have spooked investors worldwide. But signs of stability emerged overnight after China ditched a stock market circuit breaker and guided its currency higher.

U.S. payrolls for October and November were revised to show 50,000 more jobs created than previously reported, adding to the report's upbeat tone. The only wrinkle was a one cent drop in average hourly earnings.

Oil Seen Heading to $20 by Morgan Stanley on Dollar Strength

(Bloomberg) A rapid appreciation of the U.S. dollar may send Brent oil to as low as $20 a barrel, according to Morgan Stanley.
Oil is particularly leveraged to the dollar and may fall between 10 to 25 percent if the currency gains 5 percent, Morgan Stanley analysts including Adam Longson said in a research note dated Jan. 11. A global glut may have pushed oil prices under $60 a barrel, but the difference between $35 and $55 is primarily the U.S. dollar, according to the report.

Brent crude capped its third annual decline in 2015 and has already lost more than 11 percent so far this year. The Organization of Petroleum Exporting Countries effectively abandoned output limits in December, potentially worsening a global glut, while U.S. stockpiles remain about 100 million barrels above the five-year average.

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