

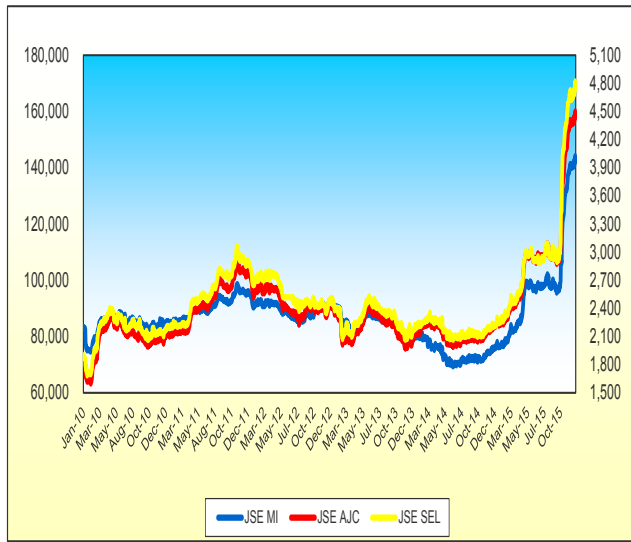
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Jamaican Stock Market



Weekly Movement in Indices

Indices	Closing Levels	Change
JSE Combined Index	167,824.05	-1,405.00
JSE Market Index	156,273.84	-1,351.93
All Jamaican Composite	173,601.12	-1,510.87
Jamaica Select Index	5,376.65	-58.73
JSE Cross Listed Index	499.06	-

Most Active Stocks

	Units Traded	%
SJ	365,894	13.47%
SGJ	346,798	12.77%
MIL	327,979	12.07%

Top Winners & Losers This Week

	\$ Change	% Change
Winner: BRG	+\$0.44	13.29%
Winner: RJR	+0.61	12.15%
Loser: SEP	-\$1.38	6.90%
Loser: GK	-\$4.10	4.86%

Market Analysis & Commentary

Local investors will soon have the opportunity to gain exposure to US stocks through a new investment vehicle- Jamaican Depositary Receipts (JDR). This is timely given the increase in liquidity that is scheduled to hit the market in a few weeks and will provide investors with a wider range of investment options.

What are JDRs?

JDRs are certificates that represent shares of a foreign stock owned and issued by a local financial institution. These certificates (receipts) would entitle investors to one or more, or a fraction of the foreign share. JDRs will trade on the Jamaica Stock Exchange in Jamaican dollars similar to our local equities. The equivalent value will be a function of changes in the value of the underlying US stock and the movement in the exchange rate.

In accordance with regulatory guidelines, JDRs will trade in minimum blocks of J\$100,000.

What are the benefits of JDRs?

- They provide the opportunity to participate in US equities which offer good long run return potential.
- JDRs allow investors to diversify their portfolios through foreign equities without the hassle of having to establish a foreign brokerage account and possibly expensive broker fees.
- They make investment in international companies more accessible to a wider range of local investors. Consequently, institutional investors such as pension funds will have the opportunity to include US based stocks in their portfolio without breaching regulatory limits.
- Retail investors could also benefit from the fact that the proposed ratio of JDR to underlying security could make US equity investment more affordable for them.
- Investors will also benefit from dividend distributions from the underlying stocks.

In light of the recent falloff in US equity prices following the slowdown in China, the appreciation in the US dollar and falling oil prices, there may be some value in adding US equities to a local portfolio at this time. As such, the JDR should be looked at as an avenue to enhance overall returns as well as create a more globally diversified portfolio within the context of the current regulatory environment.

Tourists “Sipping Away” at Margaritaville Drive Higher Profits

Margaritaville (Turks) Ltd (MTL) registered net profit of US\$518.13K (EPS: US\$0.0077) for the first half of the 2015/16 financial year ended November 2015. This represents a significant 86.0% year-on-year increase in earnings when compared to the same period in 2014. The increase in revenues coupled with a few cost containment measures were the primary drivers of the improved outturn.

The strong rebound in the tourism market and the ensuing growth in visitor arrivals at the ports moved revenues from US\$3.03Mn in H1 2014 to US\$3.38Mn a year later. Despite the growth in sales, higher cost of sales resulted in a slight 30 basis points deterioration in gross profit margin to 72.9%. Margaritaville recorded a dip in operating costs due to lower energy expenses, a reduction in rent charges and a 41.2% decline in management fees. Operating expenses fell slightly to US\$1.94Mn. The twin effect of higher revenues and lower expenses resulted in net profit margin increasing to 15.3% in comparison to 9.1% in H1 2014.

As the economies of large source markets gather momentum, it is anticipated that operating performance of MTL will remain favourable. In an effort to drive growth prospects, MTL's management continues to negotiate with its landlords, Carnival Corporation to increase ship calls and time spent at the Grand Turk Cruise Centre. The success of these negotiations would be integral in boosting revenue growth.

At its current trading price of US\$0.11, MTL's trailing P/E is 8.21X while its P/B is 1.72X.

Paramount Trading Ltd Records Earnings Growth

Chemical and construction & adhesive products distributor-Paramount Trading Limited continues to perform well in the 2015/16 financial year. For the six month period ended November 2015, bottom line earnings were \$89.09Mn (EPS: \$0.58), which is 6.8% higher than the amount recorded in the corresponding 2014 period. Revenues increased by 15% to \$496.22Mn as strategic partnerships began to bear fruits. Paramount operates five business segments led by the distribution of chemical products and all segments recorded an increase in sales. Meanwhile gross profit moved up by \$2.34Mn (+16.2%) to \$168.21Mn and resulted in a gross profit margin of 33.9% (versus 33.5% in H1 2014). However, increasing

operating costs placed pressure on operating margins. Administrative expenses moved up 28.9% to \$81.8Mn while selling & distribution almost doubled and ended the period at \$1.32Mn in expenses. This led to a 70 basis points decline in operating margin at 18.3%. After accounting for net finance costs, net profit margin was also squeezed and declined by 4.6 percentage points to 53%. This is the lowest half year margin reported over the past 5 years.

PTL has partnered with Pittsburgh-based Allegheny Petroleum to establish a lubricant blending facility in Kingston. The expected completion of the facility by the upcoming fiscal year (June 2016) presents an opportunity for Paramount to improve company performance even further. Currently, lubricant sales accounts for only a small portion of revenues. However, based on growing market demand, the company's management appears optimistic that petroleum products would do well in the market.

At the current price of \$10.50, PTL's trailing P/E is 10.61X while its P/B is 3.26X.

JMD Money Market

JMD market liquidity levels declined towards the end of the week despite interest inflows from the GOJ 2020 VR bonds which paid interest on Monday, January 11th and are expected to remain constrained in the upcoming week.

Foreign Exchange Market

Selling	Close: 08/01/16	Close: 15/01/16	Change
J\$/US\$1	\$120.63	\$120.79	+\$0.16
J\$/CDN\$1	\$84.71	\$83.65	-\$1.06
J\$/GBP£1	\$174.81	\$171.54	-\$3.27

Heavy demand from all major sectors resulted in the BOJ intervening in the foreign exchange market for the first time since November 2015. On Tuesday, January 12th, the Bank of Jamaica sold US\$65Mn into the market at J\$120.6775. The US\$ injection helped to cushion the significant depreciation in the previous week. On Friday, the dollar closed at \$120.79. This represents a week-over-week depreciation of \$0.16.

GOJ Global Bonds

It was another volatile week in global markets and Jaman global bonds did not escape the frenzy of activity. The 28s once again dominated activity with trades being executed at 99.70, 45s were offered at 96.25, 19s traded at 107.40 and 39s at 103.75.

Indicative Bond Prices

	Bid	Offer	Offer Yield*
2017	108.000	109.000	4.01%
2019	107.000	108.500	4.25%
2021	107.500	108.500	5.38%
2022	127.000	130.000	5.65%
2025 (N)	106.250	107.500	6.46%
2025	115.000	116.375	6.91%
2028	99.250	100.500	6.68%
2036	107.000	108.250	7.69%
2039	102.875	104.500	7.58%
2045	95.750	97.500	8.10%

International News

The global market has been hit by a series of bad news the most significant of which is the slowdown in China. US stocks continued on its downward trajectory on the heels of disappointing retail sales report. Figures on retail sales and manufacturing showed the world's largest economy ended 2015 on a weak note, and the start of 2016 wasn't any better. Weakness in retail sales compounds concerns that momentum in consumer spending, which has been the backstop of US growth prospects, is starting to fade. Meanwhile, a slowdown in China and other emerging markets has sent commodity prices lower and roiled stock markets around the world, exacerbating the plight of manufacturers who are being hit by an appreciating dollar. The turbulence complicates the task of Federal Reserve policy makers, who started raising interest rates last month on the expectation that US growth would continue to strengthen and inflation will pick up.

On the emerging markets scene, Venezuela's socialist government decreed an "economic emergency" and published the first data in a year showing the depth of a recession fuelled by low oil prices and a sputtering state-led model. The central bank said the South American OPEC nation's economy shrank 4.5% in the first nine months of 2015. Inflation soared in that period to an annual rate of 141.5% - the world's worst. Venezuela's oil-dependent economy is again forecast to perform dismally in 2016. Maduro lost control of the National Assembly in a December election due to voter ire over the crisis. The government's decree, which the opposition-led assembly says it has the power to approve or reject, sets a 60-day "economic emergency" and would give Maduro wider powers to intervene in companies or limit access to currency. It did not mention any possible policy changes such as a rumored currency devaluation or hike in the price of heavily-subsidized fuel.

[\(Bloomberg\) China Premier Says Economy Is Under Pressure Day Before GDP Data](#)

Chinese Premier Li Keqiang said the economy faces increasing downward pressure as he and President Xi Jinping vowed reforms a day before the nation announces what's expected to be its slowest annual expansion in more than two decades. Li called for the development of new economic drivers and improvement of traditional industries to fuel a medium- to

*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.

high-speed expansion, the official Xinhua News Agency reported, citing the premier's speech to provincial governors and cabinet ministers on Monday. China should push forward supply-side reforms amid industrial overcapacity and develop emerging and service industries, Xi said at the same seminar at the Communist Party Central Committee's Party School, according to Xinhua.

China is poised to report a slew of data on Tuesday that's expected to show its two-speed economy is intact. The nation's stocks fell into a bear market last week on waning confidence that the government can manage the country's transition to a new growth model and to a more freely traded currency, while government bond yields fell to a record low.

The government has given mixed signals in recent weeks about whether it will keep intervening to support stocks and the yuan, or make good on a promise from 2013 to give the market a decisive role in the economy.

[\(Reuters\) Brazil's economic activity slows for 9th month in November](#)

Economic activity in Brazil slowed in November for the ninth straight month as the country sank into one of the world's deepest recessions for the year, but the drop was smaller than expected due to a surprise increase in retail sales.

The Brazilian central bank said on Friday that its IBC-Br economic activity index, which measures the farming, industry and service sectors, fell 0.52 percent from October after seasonal adjustments.

Economic activity plunged 6.14 percent from November 2014, highlighting the intensity of a recession that has helped send the President Dilma Rousseff's government to the brink of collapse and shocked investors who had poured funds into the world's seventh-largest economy until recently.

Brazil's economy floundered in 2015 after Rousseff and the central bank raised taxes, cut investments and jacked up interest rates to keep both inflation and public deficits under control. Consumer and business confidence plunged as prices continue to rise far above the official target and agencies stripped the country of its investment-grade rating.

A massive corruption scandal at state-controlled oil producer Petroleo Brasileiro SA has also weighed on the economy. Executives from top construction, engineering and financial companies are under investigation or in jail.

The severe economic downturn has already cost more than 1 million jobs. Brazil's national unemployment rate rose to 9.0 percent in the three months through October from 8.6 percent in the previous three months, data showed on Friday.

[\(Bloomberg\) Pound Has No Respite in Sight With U.K. Economy Staying Sluggish](#)

Pound traders who held on during this year's pasting have little to look forward to next week. After falling to the lowest level in 5 1/2 years against the dollar on Friday, the U.K.'s currency may struggle to catch a break next week as reports are forecast to show inflation remained close to zero, wage growth slowed and retail sales dropped in the nation.

Sterling also weakened versus the euro, declining for an eighth consecutive week, its longest slide since 1999, as signs of weakness in the domestic economy and global shocks from China took the shine off Britain's currency.

The Bank of England kept interest rates unchanged at a record low on Jan. 14, citing a weakening outlook for growth and inflation. The 10-year break-even rate, which acts as a gauge of the bond market's outlook for U.K. price growth, dropped to its lowest level since 2009 following a slump in oil prices to the least in 12 years.

Commerzbank AG cut its forecasts for the pound Friday to \$1.46 at year-end and \$1.50 at the end of 2017, compared with earlier predictions of \$1.52 and \$1.53, respectively.

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