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NCB CAPITAL MARKETS LIMITED

Weekly Market GUIDE

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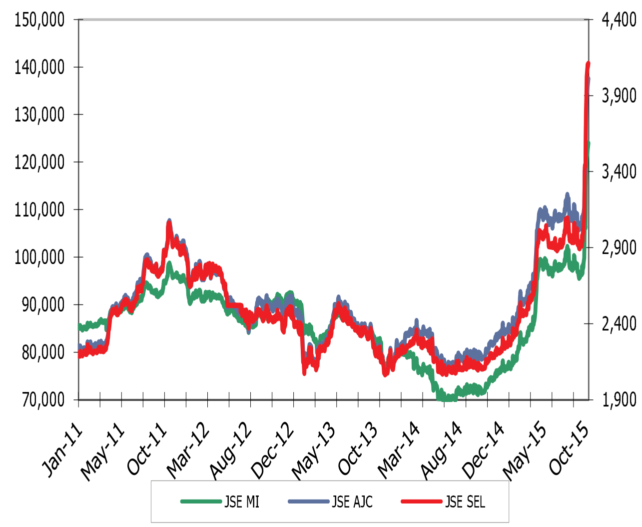
Jamaican Stock Market



Weekly Movement in Indices

Indices	Closing Levels	Change
JSE Combined Index	148,875.45	+1,583.98
JSE Market Index	142,412.68	+1,786.72
All Jamaican Composite	158,110.49	+1,996.76
Jamaica Select Index	4,735.88	+99.25
JSE Cross Listed Index	499.06	-

Most Active Stocks

	Units Traded	%
NCBJ	9,650,466	21.16%
KW	5,061,134	11.10%
LIME	5,013,069	10.99%

Top Winners & Losers This Week

	$ Change	% Change
Winner: CBNY	$0.08	+50.00%
Winner:JSE	$2.33	+17.69%
Loser: GLNR	-$0.52	-26.67%
Loser:JAMT	-$0.76	-15.20%

Jamaican Stock Market: Time to "Take the Bull by the Horns"

The local stock market has seen a resurgence in market activity since the beginning of the year and there are indications that this could continue in the near future. The bull run has led to the Jamaica Main Market Index, All Jamaican Index and the JSE Select Index increasing by 85.0%, 86.4% and 110.3%, respectively since the beginning of the year. The rally has not been limited to just main market indices as the Junior Market has increased by 134.3%. The strong performance in the market has been largely driven by merger and acquisition activity and more robust financial performance from listed companies. In addition, though economic activity since the start of the year has been adversely affected by drought conditions, there are signs that the economy is on the right track and is poised for further growth. This, along with continued passing of the IMF tests has supported renewed confidence in the local economy and has improved investor sentiments towards the stock market.

Going into 2016, we believe that two significant liquidity events- the Heineken payout and the J$62Bn maturity in the first two months of the year, should help to support stock prices as investors seek a home for these funds. These events should also facilitate further declines in interest rates which will lead to higher valuations. Additionally, the introduction of new products such as the Jamaica Depository Receipts (JDRs) is likely to result in increased stock market activity leading into 2016.

Scotia Investments Jamaica Ltd Posts Earnings Decline in FY2014/15

Scotia Investments Jamaica Ltd (SIJL) registered net income of $1.02Bn ($2.42 per share) for the financial year ended October 31, 2015. This represents a 42.8% reduction in earnings when compared to 2014 and is the company's lowest earnings outturn since 2008. The underperformance relative to last year was primarily due to a decline in operating revenues throughout the year. In keeping with the company's strategy to reduce its reliance on net interest income and place more focus on off-balance sheet activities, SIJL continued to cut its repurchase liabilities book. Liabilities under repurchase agreements were reduced from $42.02Bn in 2014 to $37.61Bn in 2015. As a consequence, SIJL's net interest income shrank by 23.2% to $1.75Bn. After accounting for impairments net interest income was $1.76Bn. Steady strides in assets under management (AUM) supported growth in net fee and commission income. SIJL's AUM totaled $111Bn, a 16% increase over last year. As such, net fee and commission income moved up by $144.47Mn to $1.10Bn and resulted in a 5-year compound average growth rate of 22%. However, the continued growth in net fee and commission fee was negated by poor outturn from the company's other non-interest income revenue streams. Both net foreign exchange trading income and net gains on financial assets declined by 62.5% and 63.4%, respectively. This brought total non-interest income to $1.46Bn versus $1.9Bn last financial year. Without the necessary support from the non-interest income revenue line, total operating income dipped by 23.0% to $3.21Bn.

On the cost side, rising staff costs coupled with higher in asset taxes paid led to an $80.17Mn (+4.6%) increase in total operating expenses to $1.71Bn. Though the cost increase was among the lowest in the financial services industry, the poor revenue outcome caused productivity ratio to deteriorate from 37.5% in 2014 to 53.0% in 2015. In light of the net income outturn for the financial year, return on equity also declined by 6.6 percentage points to 7.3%.

The diversification of SIJL's revenue streams through continued off-balance sheet focus is expected to remain the strategy for the 2015/16 financial year. However, given the persistent decline in net interest income, more robust growth from non-interest income revenue lines will be integral in cushioning the effects of the transition. Despite the fact that growth in AUM remains promising, the unit trust market is currently dominated by Sagicor Group and has been particularly competitive over the last 2 years. This will make it more difficult for SIJL to grow its AUM over time. We also anticipate challenges in growing foreign exchange and securities trading gains.

At SIJL's current price of $26.60, SIJL's trailing P/E is 10.99X while its P/B is 0.80X.

Earnings Decline in FY2015-Scotia Group Jamaica

For the FY Ended October 31, 2015, Scotia Group recorded earnings of $10.1Bn, which represented a 6.4% decline over the previous financial year. The falloff in earnings reflected higher operating costs, and in particular the impact of the increase in the asset tax rate from 0.14% to 0.25% for regulated financial institutions imposed in May 2014. This resulted in asset tax of $1.29Bn being recorded, compared to $484Mn for October 2014, an increase of 166%. As a result, the group saw a 7.3% increase in operating expenses, and a deterioration in its productivity ratio. The Return on Equity ratio fell from 14.23% to 12.32%, while Return on Asset ratio moved from 2.57%to 2.29%

Net interest income (NII) after impairment losses was $22.9Bn, marginally above 2014. The Group reported a 6.0% growth in loan volumes, particularly Residential Mortgages, Consumer, Small Business and Commercial portfolios, however lower market interest rates and narrowing net interest margins constrained the growth in NII.

Other revenue amounted to $12.2Bn, an increase of 11.9% compared to 2014. Net fee and commission income increased by 10.8% year over year, primarily due to increased transaction volumes across all services, which was more pronounced in its credit card and merchant service business segments. The Group also reported increased insurance revenue of $890Mn due actuarial provisions resulting from the changes to the income tax regime for insurance companies.

Total assets increased year over year by or 6.4% to $433Bn as at October 31, 2015. Non-performing loans (NPLs) totaled $4.5Bn, representing 2.88% of total gross loans down from 3.32 % last year, and 3.10% as at July 31, 2015. The Group's aggregate loan loss provision as at the year-end was $5.1Bn, representing over 100% coverage of the total nonperforming loans.

Remittances

In August of this year, US recorded an unemployment rate of 5.1%, the lowest rate since the 2008/09 recession. Most importantly, wage growth for the month was 2.2% the most robust outturn since the beginning of the year. These positive developments filtered through to local remittances which continue to show signs of steady improvements. During the month of August 2015, net remittances were US$164.6Mn, a 0.7% increase relative to the corresponding period of 2014. Gross remittance inflows for the month were US$185.6Mn, a 0.9% increase when compared to August 2014. The pace of growth in inflows slowed due to declines in inflows from all other source countries with the exception of the US. These inflows however were above the average of US$172.6Mn and are the highest recorded for an August outturn.

Year-to-date performance also progressed well. Net remittances for the January – August 2015 period amounted to US$1,318.1Mn, an increase of 3.6% relative to the same period last year. A 3.5% increase in inflows was able to offset higher total remittance outflows. Most notably, inflows for both the year-to-date as well as the year-on-year were above the corresponding pre-crisis outturn for 2008.

GOJ Global Bonds

Jaman global bond trading activity was fairly subdued last week however bonds did trade lower as investors felt more certain that the US Fed would increase rates in December. Jaman 28 dominated trading activity once more with offers closing the week at 101.50 while 19s were offered at 109.50.

Indicative Bond Prices

	Bid	Offer	Offer Yield*
2017	108.500	110.000	3.82%
2019	108.000	109.000	4.20%
2021	108.000	109.000	5.32%
2022	125.000	127.000	6.23%
2025 (N)	109.000	110.000	6.11%
2025	117.000	119.000	6.59%
2028	101.750	102.500	6.43%
2036	110.750	112.250	7.33%
2039	106.75	108.750	7.20%
2045	101.000	102.000	7.70%

Foreign Exchange Market

Selling	Close: 27/11/15	Close: 07/12/15	Change
J$/US$1	119.97	120.03	+$0.06
J$/CDN$1	88.69	89.24	+$0.55
J$/GBP£1	179.20	179.32	+$0.12

Market demand was moderate last week. The dollar actively traded between $120.15 and $120.20, but closed on Friday at a weighted average selling rate of J$120.03:US$1.00, which represented a $0.06 depreciation during the week.

International News

Another strong jobs report on Friday led to muttering in the financial markets that the Federal Reserve was in danger of being too slow to lift borrowing costs. Employers added 509,000 workers to their payrolls over the last two months, the biggest back-to-back increase this year. Hiring was widespread, with the diffusion index that measures the breadth of job gains across industries at its highest level since February. The unemployment rate held at a more than seven-year low of 5%, just above the 4.9% that U.S. central bankers believe is equivalent to full employment. Joblessness below that level theoretically should lead to bigger wage gains and faster inflation. Because interest-rate changes affect the economy with a lag, central bankers can't afford to wait until inflation is approaching dangerous levels before acting. They have to move preemptively or else risk falling behind the curve.

Over in Europe, the head of the European Central Bank defended the bank's latest stimulus package, brushing off concerns about a negative market reaction to the measures and signs of divisions among ECB rate setters. Mario Draghi indicated that he was confident the measures unveiled on December 3rd , which included a small deposit rate cut and an extension of its asset purchase program, would help bring inflation back to the ECB's target, adding the bank was ready to ease its policy further if needed. Yet the ECB's package had disappointed markets, who had hoped for more radical action, and divided ECB policy makers, suggesting any further step to stimulate inflation may face a higher hurdle.

Yellen Signals Economy Nearly Ready for First Interest-Rate Hike ("Bloomberg)

Federal Reserve Chair Janet Yellen delivered a cautiously upbeat outlook for the U.S. economy, signaling the conditions necessary for an interest-rate increase have been met and that she hopes to tighten monetary policy slowly after liftoff.

"I currently judge that U.S. economic growth is likely to be sufficient over the next year or two to result in further improvement in the labor market," Yellen said, according to the text of testimony Thursday before Congress's Joint Economic Committee. "Ongoing gains in the labor market, coupled with my judgment that longer-term inflation expectations remain reasonably well anchored, serve to bolster my confidence in a return of inflation to 2 percent."

*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.

Yellen's comments were nearly identical to portions of a speech she gave Wednesday to the Economic Club of Washington and comes two weeks before the Federal Open Market Committee meets in Washington. The group is expected to end an historic era of near-zero interest rates in the U.S that dates back to December 2008, when crisis gripped global financial markets. Economists surveyed by Bloomberg and investors in futures markets anticipate the target range for the benchmark federal funds rate to rise by a quarter percentage point.

The FOMC has said for months it was waiting for further improvement in the labor market and more confidence that inflation would move back to the Fed's 2 percent target.

Job Gains
Yellen noted recent strong gains in the labor market, including an October jobs report that showed employers added 271,000 new positions, the most this year, which pushed unemployment to 5 percent, down from its peak of 10 percent in October 2009.

While signaling confidence on inflation she also said the FOMC will watch closely for real progress on inflation and for any signs that inflation expectations are falling.
Inflation, as measured by the Fed's preferred gauge, hasn't reached the 2 percent target since April 2012.

Yellen also cautioned that waiting too long for the first hike would increase the chances that the Fed would eventually be forced to raise rates quickly. Doing so would, in turn, raise the risk of upsetting financial markets and pushing the economy into recession.

Venezuela Opposition Won Majority of National Assembly Seats ("Bloomberg)

Venezuela's opposition alliance won a majority in Congress for the first time in 16 years in elections on Sunday as an unprecedented recession and a collapse in the bolivar turned voters against the populist policies of President Nicolas Maduro.

Preliminary results gave the opposition at least 99 of the 167 seats in the National Assembly, while the government's ruling socialist party took at least 46, electoral council president Tibisay Lucena said Monday on state television. A total of 22 seats are still to be awarded, with 96 percent of votes transmitted, Lucena said.

A qualified majority of three-fifths or two-thirds would grant the opposition more powers to challenge Maduro and overturn policies that have fueled the world's fastest inflation and stoked shortages of essential items. The economy is expected to contract 10 percent this year by the International Monetary Fund, while economists polled by Bloomberg see prices rising about 124 percent. Still, the opposition will struggle to overturn policies as Maduro remains president and the Supreme Court and central bank are packed with his appointees.

The result is another blow to South America's block of left leaning leaders, who were ushered in following Hugo Chavez's rise to power in 1999. The opposition won Argentina's presidential election last month, ending 12 years of rule by President Cristina Fernandez de Kirchner and her late husband, while Brazilian President Dilma Rousseff is facing impeachment procedures as her country's economy contracted 4.5% in the third quarter.

Cuba nears deal with Paris Club on debt forgiveness ("Reuters")

Cuba is near a deal with 15 rich creditor nations of the Paris Club to restructure $16 billion in debt stemming from a 1986 default, with creditors expected to forgive most of the amount owed, diplomats close to the talks said.

The parties will meet in Paris later this week and, after two years of informal discussions, are close to a multilateral deal, the diplomats said.

"Cuba has agreed to pay the principal of around $5 billion owed since its 1986 default in exchange for forgiving $11 billion in service charges, interest and penalties," said one diplomat from a major creditor nation. "Negotiations are now more about how much time they need to pay it and how much of the money will be reinvested in Cuba."

Cuba has secured investment agreements from creditors in previous debt negotiations and is seeking similar commitments from the Paris Club nations, the diplomats said.

The Paris Club is an informal group of creditor governments from Australia, Austria, Belgium, Britain, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, the Netherlands, Norway, Russia, Spain, Sweden, Switzerland and the United States.

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.

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