

Annya Walker  
 AVP Research, Strategic  
 Planning & Projects  
 Tel: 935-2716  
 walkerad@jncb.com

Simone Hudson-Bernard, CFA  
 Manager Research & Structured  
 Products  
 Tel: 935-2585  
 hudsonsg@jncb.com

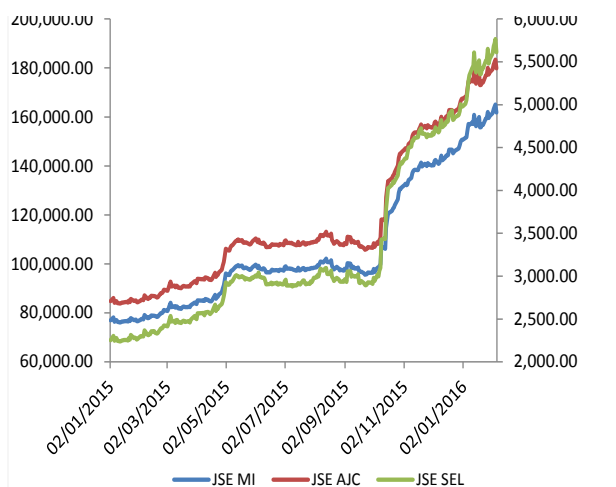
Shaneka Wynter  
 Research Analyst  
 Tel: 935-2763  
 wyntersy@jncb.com

Sekou Crawford  
 Research & Structured  
 Products Analyst  
 Tel: 935-2786  
 crawfordsd@jncb.com

Leon Franscique  
 Research & Structured  
 Products Analyst  
 Tel: 935-2785  
 fransciquej@jncb.com

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## Jamaican Stock Market



## Weekly Movement in Indices

Indices	Closing Levels	Change
JSE Combined Index	173,709.89	+2,272.52
JSE Market Index	162,382.57	+2,297.24
All Jamaican Composite	180,434.80	+2,569.10
Jamaica Select Index	5,627.17	+88.01
JSE Cross Listed Index	499.06	-

## Most Active Stocks

	Units Traded	%
RJR	58,227,536	24.85%
CWJA	39,184,283	16.72%
JMMBGL	13,003,371	5.55%

## Top Winners & Losers This Week

	\$ Change	% Change
Winner: PTL	+\$3.00	26.09%
Winner: JETCON	+\$0.51	18.96%
Loser: C2W	-\$0.06	20.00%
Loser: tTech	-\$0.73	14.69%

## Market Analysis & Commentary

The third quarter earnings season has begun and it has been largely positive. As such, market activity remains upbeat and the strength of the 24 advancers outpaced the decliners last week. This resulted in an upward movement in all major indices with the Combined Index gaining 1.33% and the Main Index increasing by 1.44%.

### JMMB's Profits Remain Flat at the Beginning of the 2017 Financial Year

Despite registering growth in operating revenues during the first quarter of the 2016/17 financial year, higher expenses weighed on growth in earnings. Net profits attributable to shareholders for the three month period ended June 30, 2016 was \$590.38Mn (EPS: \$0.36), which was only \$4.71Mn higher than the profits recorded a year earlier. All contributing revenue lines recorded increases with the exception of gains on security trading. Net interest income moved up by 7.6% to \$1.55Bn. Operating revenues were further boosted by growth in fees and commissions thanks to growth in fees from loans and increasing assets under management. Net fees and commissions increased by 56.3% to \$297.72Mn while foreign exchange gains were 73.2% higher at \$442.84Mn.

Not only were the results encouraging from an income stream standpoint, but also from a regional diversification point as well. There were revenue growth from all three main territories – Jamaica, Trinidad & Tobago and Dominican Republic. Of note, DomRep's revenues climbed by 21.5% as the Group's mutual funds administration arm – JMMB Sociedad Administradora De Fondas De Inversion – and its pension fund administration services (AF JMMB BDI) made headway during the first quarter. Total operating revenues amounted to \$3.42Bn, a 9.9% year-over-year increase when compared to Q1 FY2015/16. However, expansion efforts in DomRep also impacted expenses. Total operating costs grew by 14.0% to \$2.58Bn as attendant costs related to its new services in DomRep pushed expenses up. The increasing costs eroded revenue gains and weakened the efficiency ratio (cost-to-income ratio) from 72.6% in Q1 FY2015/16 to 75.0%.

JMMB's strategic initiative to embark on regional expansion has been bearing fruit. The integration of its services across the regions and the drive to serve underdeveloped sections of these regional markets bodes well for growth opportunities

for the company. Though Jamaica still accounts for the majority of its revenues (approximately 74%), increasing support from the other two regions will be integral going forward. But, start-up costs for its expansion efforts will likely place pressure on earnings growth over the short term. Additionally, the success of the JMMB's commercial banking licence application will allow the Group to increase its product portfolio and cross selling opportunities to increase its market.

At its current price of \$9.88, JMMB's trailing P/E is 7.06 times while its P/B is 0.71 times.

### JP's Half Year Results Surges on One-off Gain

The Jamaica Producers Group Limited (JP) has taken the decision to account for KW as a subsidiary instead of an associated company as previously reported. Consequently, during the six months ended July 2, 2016, JP reported a 359.3% growth in net profit attributable to shareholders which amounted to \$2.71Bn (EPS: \$14.47) compared to \$589.43Mn (EPS: \$3.15) a year prior. Excluding the gain on recognition as a subsidiary of \$2.46Bn, JP's net profit attributable to shareholders amounted to \$246.47Mn (EPS: \$14.47), a decline of 58.2%.

The company reported revenue growth of 11.4% to a total of \$4.57Bn. This growth was driven by JP's Food & Drink division which grew by 16.3% to earn total revenues of \$4.06Bn. The company attributed these gains to the harvesting of business development opportunities that arose from its international sales platform, diverse product range and modern production capabilities. JP's gross profit also climbed by 8.3% to \$1.09Bn as a result of the increased sales however margins were reduced by higher fresh fruit raw material costs within the Food & Drink division. This resulted in a gross profit margin of 23.8% compared to 24.5% in 2015.

During the six month period, JP's operating expenses grew by 9.8% to \$1.06Bn largely due to a 26.0% increase in marketing, selling and distribution costs which amounted to \$379.29Mn as the company focused on expanding its customer base.

On the balance sheet side, total assets grew by 167.6% to \$27.08Bn driven by a \$15.56Bn increase in property, plant and equipment which amounted to \$17.47Bn as at July 2, 2016. Shareholders' equity also grew by 48.8% to \$9.33Bn resulting in book value per share of \$49.91 relative to \$33.55 last year.

During the third quarter of the financial year, JP did a stock split which resulted in total shares outstanding increasing from 187,024,006 units as at July 2, 2016 to 1,122,144,036 units as at July 8, 2016.

### Net International Reserves Improves in July 2016

Jamaica's net international reserves (NIR) were boosted by US\$124.37Mn month-over-month to US\$2,389.49Mn as at the end of July 2016. The positive movement was mainly attributed to growth in the country's foreign assets. There was a 4.3% growth in total foreign assets to US\$2,942.19Mn. Meanwhile, liabilities fell by US\$2.08Mn to US\$552.70Mn thanks to a reduction in IMF liabilities.

Reserves can now cover 20.2 weeks of imports which exceeds the 12 week international benchmark.

## Foreign Exchange Market

The BOJ intervened in the market four times during the week ended 19 August due to heavy demand for the USD and a slowdown in USD supplies. On Friday, the intervention rate was \$127.1481. Despite this, the dollar slipped by 27 cents between Monday and Friday to close at \$127.20. This heavy demand is typical during this time as companies stock up ahead of the oncoming Christmas season.

Selling	Close: 15/08/16	Close: 19/08/16	Change
J\$/US\$1	\$126.93	\$127.20	+\$0.27
J\$/CDN\$1	\$97.05	\$99.28	+\$2.23
J\$/GBP£1	\$163.79	\$166.07	+\$2.28

## JMD Money Market

On August 24, 2016, the GOJ will issue a new 10-year Fixed Rate 9.50% Benchmark Investment Note – Due 2026. The issue size will be unlimited and is schedule to close the same day. The instrument will be priced at par.

JMD market liquidity levels were tight at the beginning of lastweek with a slight uptick towards the end. Liquidity levels for the upcoming week is expected to be further constrained given the new GOJ offer mentioned above. Brokers continue to aggressively seek longer tenured funding. Interest payments

for the GOJ 7.75% 2018s are to be expected towards the end of this week. OMO maturities for the week will amount to approximately J\$5.4Bn.

## GOJ Global Bonds

Jaman 2039 dominated activity last week trading at 116 while there were several sellers of 25N, 28 and 36s with very few buyers available on those bonds. Surprisingly, there were also buyers of 17s and 19s which could have been as a result of short sellers who got caught unawares with the GOJ tender and were trying to cover those positions.

## Indicative Bond Prices

	Bid	Offer	Offer Yield*
2017	106.750	107.750	1.33%
2019	109.000	110.000	2.42%
2021	109.250	111.250	4.05%
2022	128.750	130.250	5.15%
2025 (N)	116.000	117.250	4.95%
2025	125.750	127.000	5.46%
2028	112.500	113.500	5.09%
2036	121.000	122.250	6.48%
2039	115.500	116.250	6.58%
2045	113.250	114.750	6.71%

\*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.

## International News

The minutes from the FOMC meeting in July which was released last week noted that the US economy was improving but policy makers wanted to see more gains before raising rates. The assessment of the core economy was upbeat with household spending described as "growing strongly" and the labor market, following June's initial 287,000 surge in nonfarm payroll, described as "strengthening". Housing was seen as a modest positive with the service sector expanding but with the factory sector no better than mixed.

Regarding their policy objectives, policy makers agreed that the labor market would continue to strengthen and that inflation would gradually move to their 2 percent target. Some saw a rate hike coming soon and one member, Kansas City's George, wanted to hike rates immediately. But the bulk of the FOMC were content to wait and see, a stance that does not point to any sense of urgency for a September rate hike.

Following the release however, the probability of a Fed move in February increased after Fed Vice Chairman Stanley Fischer said the world's largest economy is already close to meeting the central bank's goals and that growth will pick up. Pundits are of the view that a September rate hike is back on the cards.

Oil prices posted a third weekly gain Friday as the potential for a production-freeze deal among major producers outweighed concerns about ample inventories. The oil market was buoyed by declines in U.S. crude and gasoline inventories, a weakening dollar and recent indications that major producers both outside and in the Organization of the Petroleum Exporting Countries could take steps to stabilize prices. U.S futures for September delivery settled up 30 cents, or 0.6%, to \$48.52 a barrel on the New York Mercantile Exchange, the highest settlement since July 1. Prices rose 9.1% this week, the biggest one-week percentage gain since March.

### [\(Bloomberg\) Brexit Challenge Filed by Northern Ireland Assembly Members](#)

Members of the Northern Ireland Assembly filed a lawsuit seeking a judicial review of the U.K.'s plan to leave the European Union, creating another legal hurdle to the proposed exit.

Steven Agnew, Colum Eastwood, David Ford and John O'Dowd were among members that filed the suit Friday, according to a statement from their lawyers Jones Cassidy

Brett. The Department for Exiting the European Union didn't immediately respond to a phone call and e-mail seeking comment.

The claim is one of a handful of suits seeking to challenge the manner in which Prime Minister Theresa May intends to navigate Britain's exit from the EU. England residents Gina Miller, who runs an investment start-up, and hairdresser Deir Dos Santos, have brought a separate suit seeking a ruling forcing May to consult parliament before triggering Article 50 of the Lisbon Treaty, which begins a two-year countdown to Brexit.

#### [\(Bloomberg\) Scale of British Rush for Freedom-of-Movement Passports Revealed](#)

Britons are hurrying to ensure their own access to the European Union remains intact.

In the two months since U.K. voters chose to quit the bloc, 16 embassies and high commissions in London contacted by Bloomberg News reported increases in either applications for passports or questions about residency.

The stronger demand suggests eligible U.K. residents are eager to safeguard their rights to work and travel in the EU amid uncertainty over what status they will have after Brexit.

Austria witnessed a near-doubling in applications for passports or identification cards in July over the same month in 2015. The Swedish Embassy's weekly citizenship applications increased sevenfold around the time of the June 23 vote- peaking at 150 in the week itself- before the surge tailed off over the summer.

#### [\(Bloomberg\) Dollar Gains as Fischer Signals Fed Rate Increase; Crude Slumps](#)

The dollar strengthened, while commodities fell as comments from a Federal Reserve official boosted speculation that U.S. interest rates will rise this year.

Most major currencies dropped against the greenback after Fed Vice Chairman Stanley Fischer said the world's largest economy is already close to meeting the central bank's goals and that growth will pick up. The S&P 500 Index fluctuated as a rally in drugmakers offset losses in energy companies. Crude oil halted the longest run of gains in four years. Treasuries rose as a slide in commodities drove investors into haven assets.

Global markets have been whipsawed by comments from

regional Fed chiefs including William Dudley and John Williams that indicated U.S. borrowing costs may rise as early as next month. While Fischer gave no specific mention on the timing of a rate increase, traders assessed his comments to gauge whether the market is underestimating the likelihood of policy tightening. Chair Janet Yellen speaks Friday at an annual symposium hosted by the Kansas City Fed in Jackson Hole, Wyoming.

#### [\(Bloomberg\) London Housing Boom to End Next Year on Brexit, Broker Says](#)

Home values in London will fall for the first time since 2009 next year on economic uncertainty resulting from the U.K.'s vote to leave the European Union, according to Countrywide Plc.

Price growth for homes in the capital will slow to 3.5 percent this year and drop by 1.25 percent in 2017, the country's largest real estate broker said in a report on Monday. Countrywide in December forecast that values would increase by 4 percent this year and next. Prices for properties in prime central London will drop as much as 6 percent this year and be little changed in 2017, the report showed.

"The vote to leave the European Union has unsettled the U.K. economy," Countrywide chief economist Fionnuala Earley said by phone. Lower expectations of capital gains were already weighing on London's housing market, she said, while the luxury-property market was being hurt by increased sales taxes and oversupply. "The Brexit scare has just accelerated all of that," she said.

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