

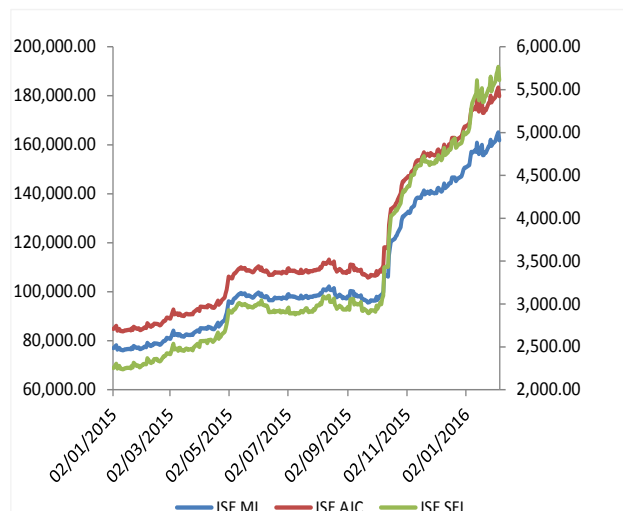
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Jamaican Stock Market



Weekly Movement in Indices

Indices	Closing Levels	Change
JSE Combined Index	164,347.30	+3,989.34
JSE Market Index	153,433.79	+3,394.61
All Jamaican Composite	170,426.79	+3,796.43
Jamaica Select Index	5,429.33	+128.74
JSE Cross Listed Index	499.06	-

Most Active Stocks

	Units Traded	%
LASD	17,087,072	52.05%
LASM	2,002,334	6.10%
JETCON	1,765,623	5.38%

Top Winners & Losers This Week

	\$ Change	% Change
Winner: MIL	+\$1.10	36.67%
Winner: EPLY	+145.00	28.71%
Loser: CBNY	-\$0.04	28.57%
Loser: CAC	-\$0.40	5.80%

Market Analysis & Commentary

Despite relatively low activity, the stock market made further gains last week with all major indices increasing by over 2%. The JSE Combined Index advanced by 3,989.34 points, the Main Index gained 3,394.61 points (2.26%) and the All Jamaican Composite Index rose by 3,796.43 points (2.28%). While positive earnings performance should positively impact market sentiments, the expectation is for further lackluster activity in the coming week in light of the budget presentation.

Higher Expenses Constrain Sagicor X-Fund's Net Profits

Sagicor X-Fund's (X-Fund) net profits for the first three months of its 2016 financial year was \$602.41Mn (EPS: \$0.27). This is a relatively flat outturn when compared to the same period last year. Growth in earnings was constrained by higher expenses which outpaced revenue growth. Consolidated revenue was \$2.88Bn, an 84.8% year-on-year increase on the amount reported in Q1 2015. Revenues from the company's hotel business line – which accounts for 95% of total revenues – were positively impacted by increased tourist arrivals and the acquisition of two hotels in 2015. The Hilton Resort which was acquired in January 2015 registered revenues of \$1.57Bn versus \$1.19Bn in Q1 2015 meanwhile the 742-room DoubleTree Universal Hotel which was included in X-Fund's hotel portfolio in September 2015 added another \$1.15Bn to revenues.

The addition of DoubleTree was the primary contributor to a \$1.11Bn increase (+166.1%) in hotel expenses. Meanwhile, depreciation, interest and other financing costs as well as other operating costs increased as well. Consequently, total operating expenses more than doubled and moved up by 150% to \$2.17Bn. Heavy expenses also weighed on net profit margin which weakened by 17.7 percentage points to 21%.

Improved Efficiencies Helps Seprod to Start FY2016 Well

Seprod started off the 2016 financial year on a positive note. Net profit attributable to shareholders was \$260.91Mn (EPS: \$0.51). Despite a decline in revenues there was positive performance during the period largely due to lower energy prices and a reduction in cost of sales which supported notable growth in gross profits. Sales fell by 10% to \$3.68Bn. However, a significant reduction in cost of sales resulted in a 23.9% increase in gross

profit to \$922.65Mn. Gross profit margin declined by 6.9 percentage points to 25.1%.

On the expense side, selling expenses increased by 29.4% to \$164.72Mn. Furthermore, heavy redundancy costs led to a 15.6% growth in administrative expenses to \$451.35Mn. Despite this, operating margin moved up from 7.7% in Q1 2015 to 11.5%. Finance costs were 44.2% higher and a \$10.21Mn share of loss from its joint venture had a negative impact on the bottom-line. Net profit margin improved by 140 basis points to 6.0%.

On the heels of announcing a US\$3.5Mn investment in a state-of-the-art Complex Flexing machine which is expected to improve productivity at its subsidiary Serge Island Diaries by some 45%, Seprod has sought to increase production capacity once again. The Group has made a J\$285Mn investment to purchase a new oven and liquid oil spray machine for its subsidiary, International Biscuits Limited (IBL). This investment will likely ramp up production by roughly 50% and will help the company to meet growing demand as well as global and local trends in production quality. Improved efficiencies and an expanded product line to capture market share could put the company on good ground relative to the competition. In addition, some improvement in Golden Grove is expected in the near term given restructuring activity as well as the fact that the company will now be allowed to set its own prices for sugar as it has received Marketing Agency status from the Sugar Industry Authority.

At its current price of \$16.82, Seprod's trailing P/E is 9.61X while its P/B is 0.80X.

Foreign Exchange Market

Selling	Close: 29/04/16	Close: 06/05/16	Change
J\$/US\$1	\$123.15	\$123.75	+0.60
J\$/CDN\$1	\$97.53	\$95.10	-2.43
J\$/GBP£1	\$177.03	\$177.14	+0.11

It was another week of heavy demand for USD from brokers and end-users. However, with tight supplies and no intervention by the Central Bank, quotes for US\$1 went as high as J\$124.20 in the market. On Friday, the weighted average selling rate was US\$1.00:J\$123.75. This represents a week-on-week depreciation of \$0.60.

JMD Money Market

JMD market liquidity was low last week as the market felt the impact of the Central Bank's FX intervention from the previous weeks. The weak liquidity position is expected to continue. However, conditions could see a slight improvement with interest inflows from the GOJ 7.50% FR 2017s.

GOJ Global Bonds

Jaman global bonds had a very good week with the 2025N, 2028s and 2045s being the most actively traded. The 2025N closed the week at 112.20, 2028s at 103.80 and 2045s at 104.50. There was demand on the 2019s week but offers were not as robust.

Indicative Bond Prices

	Bid	Offer	Offer Yield*
2017	107.750	109.000	2.35%
2019	109.000	110.500	4.52%
2021	110.000	112.000	5.92%
2022	128.000	130.000	5.41%
2025 (N)	110.750	111.750	5.94%
2025	118.500	120.500	6.33%
2028	103.750	104.750	6.18%
2036	111.000	113.000	7.25%
2039	109.000	110.500	7.07%
2045	104.500	105.500	7.41%

*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

Puerto Rico's economic recession is poised to worsen as residents continue to leave the island, threatening to deepen the fiscal crisis that's pushing the island to default on a growing share of its US\$70Bn debt. The Planning Board, which calculates the island's economic growth, released its 2017 fiscal forecast, estimating a 2% drop in gross national product for the fiscal year beginning July 1. Puerto Rico has been mired in a recession for a decade and borrowed heavily to balance budgets. Despite the shaky economy, investors snapped up its debt for years thanks to generous tax incentives. The borrowing spree plugged annual deficits but did little to create economic opportunity on the island. Residents, who are U.S. citizens, have steadily left for jobs on the mainland, eroding Puerto Rico's tax base.

Governor Alejandro Garcia Padilla in June 2015 said the commonwealth was unable to repay all of its debts and would seek to reduce those obligations by asking investors to accept losses on their holdings. Puerto Rico's Government Development Bank (GDB) failed to pay bondholders nearly US\$400Mn on May 2. The default is the largest payment failure by a commonwealth entity, after two smaller agencies skipped principal and interest payments. The Governor also alluded to further defaults in coming months when he stated that the territory won't make a roughly \$800 million payment on the island's general-obligation debt due July 1.

[\(Bloomberg\) Brazil Markets Thrown Into Disarray as Impeachment Vote Annulled](#)

Brazilian markets were thrown into turmoil after the effort to impeach President Dilma Rousseff appeared to hit a roadblock, spurring concern that some of the world's biggest stock and currency rallies would be undone.

The Ibovespa stock benchmark plummeted as much as 3.5 percent and the real weakened as much as 4.6 percent, the most since September 2011, before paring some of those losses. The selloff was sparked after the interim chief of Brazil's lower house called for a new vote on the impeachment, accepting an argument by the attorney general that the ballot last month had procedural irregularities.

The Ibovespa and real posted the biggest rallies among major markets this year on speculation Rousseff's ouster would usher in a new government better able to pull Latin

America's biggest economy out of its worst recession in a century, tame inflation and reduce a fiscal deficit. Analysts were split on how much of an impediment Monday's annulment represented, while investors were quick to sell after the initial headlines.

The Senate had been scheduled to vote this week on whether to move forward with the impeachment and compel Rouseff to stand trial on allegations she used state banks to shore up the government's accounts.

Senator Raimundo Lira said that the vote scheduled for May 11 will still go ahead, according to the Senate's official news website. Lira presided over a special committee that last week backed a report saying there is enough evidence to advance with Rouseff's impeachment. Opposition parties will challenge the decision in court today if necessary, according to Pauderney Avelino, head of the Democratas party in the lower house.

[\(Bloomberg\) U.K. Manufacturing Shrinks in April as Firms Hemorrhage Jobs](#)

U.K. manufacturing unexpectedly shrank for the first time in three years in April, dealing a shock blow to the economy after growth slowed in the first quarter.

Markit Economics said its factory Purchasing Managers Index dropped to 49.2 from 50.7 in March, below the key 50 level that divides expansion from contraction. Economists had forecast an increase to 51.2 from an initially reported 51, according to a Bloomberg survey.

Markit also said manufacturing output is falling at a quarterly pace of about 1 percent and it estimates that about 20,000 jobs were lost in the industry over the past three months. The report will heighten concerns about the impact of the European Union referendum on confidence and the wider economy. The Bank of England has said uncertainty surrounding the June 23 vote is already having an effect, including a reduction in hiring intentions and the depreciation of the pound, and there have been dire warnings about the potential fallout if the U.K. quits the bloc.

The pound pared its advance against the dollar after the report was released and was at \$1.4691 as of 11 a.m. London time, up 0.1 percent on the day. Markit said exports orders dropped for a fourth month, with companies citing weaker global market conditions. Total orders barely grew. Both costs and output prices fell in April, though the pace of the decline eased. U.K. economic growth slowed to 0.4 percent in the first quarter, according to data last week. Services posted the weakest performance for almost a year,

industrial production declined and manufacturing shrank for a fourth time in five quarters.

[\(Reuters\) IMF more upbeat on Germany outlook as factory orders rise](#)

German industrial orders rose more than expected in March and the International Monetary Fund said on Monday it was "a bit more optimistic" about the outlook for Europe's largest economy, which is heading into the second quarter on a solid footing.

The surprisingly strong economic data, published by the Economy Ministry, and the upbeat comments made by a senior IMF official in Berlin were the latest signs that the German economy's solid start to the year may extend into the summer.

Contracts for "Made in Germany" goods were up 1.9 percent on the month, the biggest increase since last June. That beat a Reuters consensus forecast for a rise of only 0.7 percent.

Enrica Detragiache, assistant director of the IMF's European department, said she had become more upbeat about Germany's growth prospects.

Last month, the IMF forecast German growth of 1.5 percent GDP in 2016. In 2015, the economy grew by 1.7 percent, the strongest rate in four years, driven mainly by strong private consumption and higher state spending on refugees.

Germany's domestic industrial orders fell by 1.2 percent in March, but foreign demand rose by 4.3 percent, with bookings from countries outside the euro zone soaring by 6.2 percent. For the whole first quarter, industrial orders rose by 0.5 percent on the quarter, with bookings from abroad increasing by 2.0 percent and domestic orders falling by 1.3 percent. The surprisingly strong March figure suggests that industrial output is likely to pick up in the coming months.

The IMF said Germany should take advantage of record-low borrowing costs and step up public and private investment to meet infrastructure needs.

Leading economic institutes have said the German economy probably expanded by around 0.6 percent on the quarter in the January-March period - twice as much as in the fourth quarter.

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