

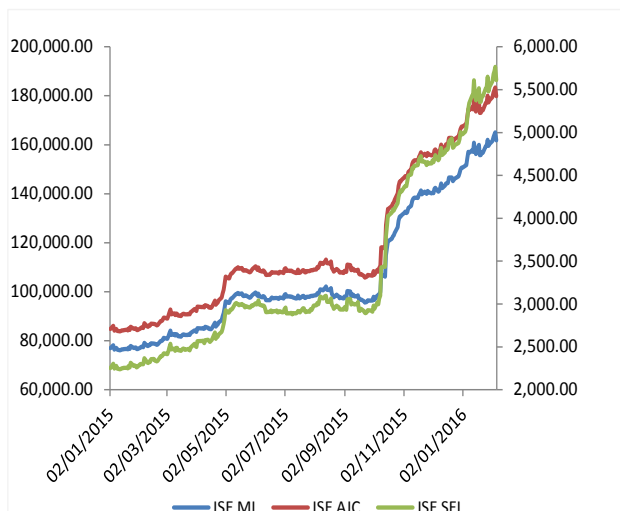
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Jamaican Stock Market



Weekly Movement in Indices

Indices	Closing Levels	Change
JSE Combined Index	161,692.53	+1,298.43
JSE Market Index	153,091.08	+1,008.43
All Jamaican Composite	170,043.51	+1,126.28
Jamaica Select Index	5,246.54	+65.36
JSE Cross Listed Index	499.06	-

Most Active Stocks

	Units Traded	%
SJ	2,640,779	21.17%
LASM	2,280,949	18.28%
SGJ	979,820	7.85%

Top Winners & Losers This Week

	\$ Change	% Change
Winner: JETCON	+\$0.65	28.89%
Winner: KREMI	+0.92	25.56%
Loser: KLE	-\$0.55	25.00%
Loser: PROVEN	-\$0.03	14.29%

Market Analysis & Commentary

Government Behind Primary Balance Target

With just one month left in the fiscal year to report on, the Central Government looks set to meet its fiscal deficit target. For the period April to February 2016, provisional estimates for Revenues and Grants amounted to \$387.23Bn or 0.4% below target. Of note, Tax Revenues at \$354.59Bn was 0.4% higher than budgeted which is important given that this is a key element of the fiscal program. This was mainly on account of an outperformance of the Income and Profits category (up 3.2%) following higher corporate taxes, PAYE and tax on interest. The Production and Consumption and International Trade revenue categories underperformed budget by 0.4% and 0.8% respectively.

Total Expenditure at \$425.71Bn also outperformed and was slightly below budget. As it relates to Recurrent expenditure, cost saving was evident in all categories except wages and salaries which was higher than expected by 1.9%. Going forward, the government will be hard pressed to contain the wage bill in order to meet the 9.0% of GDP target. Capital Expenditure was 1.0% below budget.

Following both the revenue and expenditure outturn, the government remains on track to meet the fiscal deficit target. The deficit for the period was \$38.48Bn, which is 0.7% lower than budgeted. The government however is at risk of missing its primary balance target which is trailing budget by 4.1% at \$80.12Bn. March is however usually a good month for the government in terms of revenue take up and this should put the government in a better position to meet its target.

Seprod Records Lower Profits for the 2015 Financial Year

Seprod's financial performance in 2015 lagged the previous year. The company's net profit for the financial year ended December 2015 was \$576.90Mn. Net profit attributable to shareholders was \$867.95Mn (EPS: \$1.68) with the minority interest recording a loss of \$289.05Mn. The performance bore the effects of redundancy payments, asset revaluation and low revenues from sugar. Sales contracted by 1.6% to \$13.78Mn. Despite a slight reduction in cost of sales, gross profit margin declined by 60 basis points to 19.3%.

On the cost side, selling expenses increased by 27.8% to \$510.65Mn. Additionally, heavy redundancy costs led to a 27% jump in administrative expenses. This meant that operating margin dipped to 6.5% from 10.4%. Slightly higher finance costs and a \$6.71Mn share of loss from its joint venture contributed further to the erosion of its bottom-line. Net profit margin contracted by 2.2 percentage points to 4.2%.

Seprod continue to invest in its businesses in an effort to improve its processes as well as production. Its CEO recently announced that the company made 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%. The investment is the first in a planned J\$5Bn outlay over two years to upgrade, retool and improve the efficiencies within the Group, with a view to increasing competitiveness. Improved efficiencies and an expanded product line 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 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 price of \$16.50, Seprod's trailing P/E is 9.82X while its P/B is 0.81X.

General Accident Registers Better Premiums But Lower Profits

General Accident Insurance Company Jamaica Ltd (GENAC) registered net profits of \$304.42Mn (EPS: \$0.30) for the financial year ended December 2015. This represented a 4.9% decline when compared to 2014. Increased sales effort resulted in a 20.5% increase in gross premium written. However, after setting aside money for reinsurance purposes, GENAC's net premium earned was \$1.12Bn, just \$50.96Mn (+4.8%) higher than the amount recorded in 2014. The insurance company added another \$361.89Mn in commission income. However, there were increases across the board for GENAC's expenses. Commission expense, claims expense and management expenses moved up by 22.7%, 2.6% and 1.1%, respectively. Despite this, underwriting profit increased from \$101.94Mn in 2014 to \$114.66Mn in 2015. Underwriting profit margin improved by 70 basis points by 10.2%. Investment income, which is an important contributor to insurance companies' financial performance, added another \$175.65Mn. However, contribution from other income sources was nearly halved which, together with an increase in operating expenses resulted

in falloff in overall net profit.

At its current price of \$2.98, GENAC's trailing P/E is 9.93X while its P/B is 1.73X.

Foreign Exchange Market

Selling	Close: 24/03/16	Close: 01/04/16	Change
J\$/US\$1	\$122.03	\$122.04	+0.01
J\$/CDN\$1	\$90.80	\$92.67	+\$1.87
J\$/GBP£1	\$170.47	\$172.90	+2.43

After weeks of low demand for USD during the tax payment period, demand for the greenback picked up slightly during last week. The dollar traded between J\$121.95 and J\$122.10 in the market. On Friday, the weighted average selling rate was J\$122.04 : US\$1.00.

JMD Money Market

Following tax payments in March, JMD market liquidity levels remained low with no significant inflows during the week. This tightness in the market is likely to continue in the coming weeks given there are no expectations of significant inflows.

GOJ Global Bonds

There was a widespread increase in emerging market bond prices last week as the Fed reduced its projections for the number of interest rate increases to two from four. This led to greater interest in riskier assets which filtered down to GOJ Global bonds. There was demand all along the GOJ Global bond curve with 28s being bid at 102.75, 45s at 102 and 25N at 110.25.

Indicative Bond Prices

	Bid	Offer	Offer Yield*
2017	108.750	110.000	2.15%
2019	19.500	110.750	2.93%
2021	109.650	110.650	4.40%
2022	129.000	132.000	5.14%
2025 (N)	111.750	113.250	5.59%
2025	120.000	121.500	6.22%
2028	103.650	104.850	6.14%
2036	113.500	114.000	7.17%
2039	109.000	110.500	7.05%
2045	103.000	104.350	7.50%

*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 Ratings Agencies spoke loud and clear last week highlighting the risks to Emerging Market credits.

Standard & Poor's (S&P) has revised the outlook for China's credit rating to negative from stable, saying the nation's economic rebalancing is likely to proceed more slowly than the ratings firm had expected. The Agency however maintained China's AA- long-term credit rating. Earlier in March, Moody's Investors Service made a similar revision, highlighting surging debt and questioning the government's ability to enact reforms. "We revised the outlook to reflect our expectation that the economic and financial risks to the Chinese government's creditworthiness are gradually increasing," S&P said in a statement. "This follows from our belief that, over the next five years, China will show modest progress in economic rebalancing and credit growth deceleration." Facing deflationary pressure at home and tepid demand from abroad, China's policy makers are juggling reforms aimed at cutting overcapacity with stimulus to cushion the blow. Leaders have flagged more fiscal support this year, and room on the monetary front to support growth. China's economic expansion will remain at or above 6% a year in the next three years, S&P forecast. The investment rate may be "well above" what S&P says are sustainable levels of 30-35% of GDP.

Last week, Barbados credit ratings were downgraded by Moody's one notch to Caa1 and the outlook was changed to stable from negative. The rationale listed Barbados' slow progress towards achieving fiscal consolidation consistent with a sustainable debt trajectory as well as the low level of foreign exchange reserves and weak funding conditions. Moody's noted that despite apparent economic stabilization and some progress to reduce the government's fiscal deficit and contain pressures on foreign exchange reserves, macroeconomic and credit risks remain elevated. Debt burden remains very high and additional fiscal consolidation is needed to reverse the rising trend in debt burden. Since losing its investment grade status in 2012, Barbados' credit ratings have been slashed repeatedly by both Moody's and S&P in light of the downturn in tourism and rising debt levels. S&P in September affirmed its B rating on the credit. However the outlook is negative, signaling the risk of further downgrades if measures fail to gradually stabilize the debt levels.

In the US, stocks rose and Treasuries retreated as signs of life in the manufacturing sector and a strong jobs report bolstered confidence in the world's largest economy. The Standard & Poor's 500 Index rebounded from a 0.7%

slide amid the first expansion in US manufacturing in seven months, while Treasuries fell as hiring data added to speculation the economy can withstand tighter monetary policy. Crude dropped as Saudi Arabia's deputy crown prince said the kingdom will only freeze production if Iran and others follow suit. Global equities started the second quarter with a loss.

[\(Bloomberg\) Gold Lovers Bet Party Isn't Over After 17% First-Quarter Surge](#)

Even after a lackluster March, money managers are betting the best-performing commodity last quarter still has further to run.

While gold futures have dipped from a 13-month high, hedge funds are the most bullish since January 2015. The precious metal posted its biggest quarterly advance in three decades as turbulent financial markets and ebbing global economic growth boosted demand for it as a haven.

Federal Reserve Chair Janet Yellen said last week that U.S. central bankers should "proceed cautiously" on plans to raise interest rates because of risks from the global economy. London-based research firm Metals Focus Ltd. expects investors to pour more money into the metal as policy makers keep rates low to spur growth. Higher prices are lifting shares of producers including Newmont Mining Corp. and Freeport-McMoRan Inc.

[\(Bloomberg\) U.S. Stocks Slip After Rally, Dollar Mixed as Natural Gas Jumps](#)

U.S. stocks slipped from the highest levels of the year as investors assess whether a six-week rally has taken equities too far too quickly. The dollar and Treasuries were little changed as investors assessed the timing of the Federal Reserve's next policy move.

The Standard & Poor's 500 Index retreated after a sixth weekly gain in seven restored more than \$1.8 trillion to the value of American equities. European and Asian shares edged higher from the lowest levels in at least three weeks. The dollar looked to halt a five days slide, while the yield on 10-year Treasury notes held near 1.77 percent. Natural gas surged amid a cold snap in the eastern U.S. and crude traded near \$37 a barrel.

U.S. stocks climbed the most in a month last week, pushing gains from a Feb. 11 low to 13 percent, after Federal Reserve Chair Janet Yellen reaffirmed any interest-rate increases will be gradual even as jobs and manufacturing data signaled the economy continues to strengthen. The Fed will release minutes from its latest meeting on Wednesday, while traders will have to wait until next week for the start of corporate

earnings season.

[\(Bloomberg\) Amazon Plans Big Push to Expand Prime Now Fast Delivery](#)

Amazon.com Inc. plans to broaden the reach of its fast delivery service Prime Now, and is selling major brands promotional deals connected to the expansion, a sign the world's largest Internet retailer is satisfied with early results from the nascent offering.

The service now only available through the Prime Now app on smartphones -- will be run on Amazon's website starting in May, according to documents reviewed by Bloomberg. Getting Prime Now on the Web puts the service in front of a larger audience, many of whom may not have downloaded the app on their phones. While shopping on mobile devices is expected to reach US\$96.2Bn in the U.S. this year, that represents a quarter of all e-commerce, according to the research firm EMarketer.

Amazon launched Prime Now in New York City in December 2014 and has since expanded it to about 20 U.S. cities and London. It has also broadened the service to include delivery from local restaurants and stores, not just products from Amazon warehouses. Two-hour deliveries are free for those paying US\$99 a year for Amazon Prime, and one-hour delivery costs US\$8.

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