

# Market Guide

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"A penny saved is a penny earned." – Benjamin Franklin

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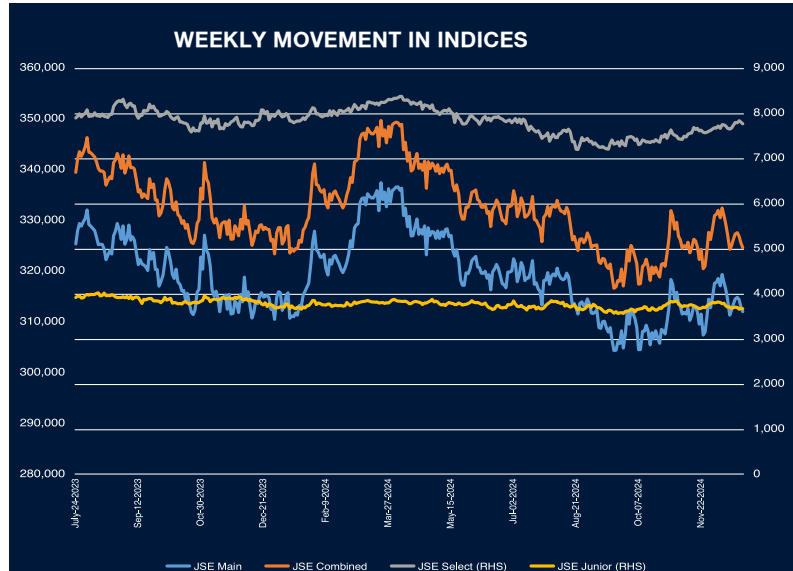
## Earnings Season Aftershocks: Mixed Earnings Among Main Market M&D Sector Stocks

Much like the recent earthquakes that have impacted Jamaica, the Main Market Manufacturing and Distribution (M&D) Sector is experiencing its own set of tremors this earnings season. Carreras, Lasco Manufacturing, Wisynco, Lasco Distributors, Seprod, AS Bryden, and Caribbean Producers Jamaica have released earnings for the September quarter, revealing varying results. Of the seven companies, five reported declines in year-to-date (YTD)<sup>1</sup> net profit, reflecting the impact of supply chain disruptions, Hurricane Beryl and higher expenses related to expansion activities. Following the earnings releases, investors reacted with trading activity that led to price declines for 6 of the 7<sup>2</sup> companies. Despite the softening in prices since the releases, majority of the M&D companies under review, except Wisynco, ASBH and CPJ, have seen their stock prices appreciate year-to-date, suggesting investor confidence in their positive long-term growth potential and fundamentals.

Five Main Market M&D companies saw their earnings rattle this earnings season, reporting declines in YTD net profits. Wisynco's net profit inched down by 3.0% YTD, despite recording its highest quarterly sales for its September quarter. Revenues grew 6.6% to \$14.6Bn, driven by higher beverage demand, which offset lower sales from reduced visitor arrivals, decreased remittances and weaker demand for frozen and chilled items due to storage issues after Hurricane Beryl. However, a 23.6% (or \$694.75Mn) rise in selling, distribution, and administrative expenses weighed down earnings. Notably, these

greater expenses are the result of the company scaling its operations to prepare for anticipated demand and new product lines, which it expects will be launched in its March 2025 quarter, laying the groundwork for future growth. Amid the slight earnings decline, Wisynco's stock price fell by 1.8% since the financial results were released and 1.7% YTD. Like Wisynco, the market reacted negatively to an earnings slowdown from Lasco Distributors (LASD). The company saw a 9.4% decline in YTD net profit to \$718.18Mn, notwithstanding a 2.9% increase in revenues to \$14.97Bn and a solid September quarter earnings performance. Its quarterly earnings grew by 4.1% to \$359.28Mn driven by a 25% increase in export sales and a 14% increase in its pharmaceutical business. LASD's stock price rose 5.3% YTD but declined by 12.9% immediately after its earnings release, likely indicating a mix of softening investor sentiment following the performance and profit-taking from some shareholders.

Seprod and its subsidiaries (AS Bryden and Caribbean Producers Jamaica) also faced tremors, which led to a falloff in their YTD earnings. Seprod reported a 15.6% (or \$550.45Mn) YTD decline in net profit to \$2.97Bn, despite a 13.7% growth in revenues to \$93.43Bn. The lower profit resulted from the economic slowdown following Hurricane Beryl, as well as reduced hotel occupancy rates due to negative U.S. travel advisories. Likewise, AS Bryden, Seprod's subsidiary, reported a 41.8% YTD decline in net profit to TT\$48.70Mn, despite revenues increasing by 24.0% to TT\$2.23Mn.



### MOVEMENT IN INDICES

JSE Indices	Closing Levels	WoW % Change	YTD % Change
Combined Index	324,574.96	-0.50%	-4.30%
Main Market Index	311,973.99	-0.48%	-4.21%
Select Index	7,756.86	+0.38%	-4.47%
Junior Market Index	3,659.36	-0.74%	-4.91%

### WINNERS & LOSERS FOR THE WEEK ENDED NOVEMBER 22, 2024

	\$ Change	% Change
PBS	+\$0.31	+21.23%
MTL	+\$2.18	+17.29%
RJR	-\$0.23	-19.17%
KLE	-\$0.24	-17.91%

### MARKET OVERVIEW

Despite the BOJ's announcement of an additional 25 bps rate cut last week, 5 of the 9 major indices declined. The JSE Financial Index and the JSE Junior Market Index were the biggest underperformers, with declines of 1.50% and 0.70%, respectively. The fall in the JSE Financial Index was largely driven by price from JMMB Group Limited (JMMBGL; -5.00%), Scotia Group Jamaica Limited (SGJ; -5.02%) and Sagicor Group Jamaica Limited (SJ; -0.89%) – the 4th, 8th and 1st largest constituents by market capitalization respectively. However, there was no specific company news to explain the decline. At a time when the Financial Index is down 9.30% YTD, the Bank of Jamaica (BOJ), announced its 3rd consecutive 25 basis point (bps) rate cut, indicating a gradual shift to a more favourable interest rate environment which should benefit financial stocks in the medium term. Meanwhile, the 0.70% Junior Market decline was primarily attributed Express Catering Limited (ECL; -9.43%) and Stationery and Office Supplies (SOS; -10.24%) the 7th and 8th largest constituents by Market Capitalisation. Market volatility due to its relative market illiquidity, further delays in its annual report and audited financials as well as PJOJ data suggesting a 1.20% contraction in the Tourism sector for Q3 2024 likely contributed to ECL's decline. Notably, tourism company, Dolphin Cove (DCOVE; -3.24%) reported a 19.00% drop in visitors, mainly due to Hurricane Beryl-induced park closures in July which impacted revenues.

The largest advancers were the JSE USD Equities Index (+9.73%) and the JSE Cross-Listed Index (+2.64%). The USD Equities Index benefited from a resumption of trading for PBS' the 3rd largest constituent, which saw its price increase by 21.23%. Additionally, TransJamaican Highway Limited (TJHUSD), the 2nd largest constituent, saw its price increase by 16.31%. For the JSE Cross-Listed Index, the growth was primarily attributed to a 4.35% gain in Massy Holdings Limited (MASSY). Last week, MASSY declared its largest interim dividend of TT16.78 cents per share to be paid on December 20th, which likely contributed to its price appreciation.

Overall, 129 stocks traded during the week, with most stocks (65) declining and just 46 stocks advancing and another 18 trading firm. Market volume amounted to 136.54Mn units valued at J\$951.06Mn, reflecting a 38.80% decrease in volume, and a 0.01% increase in

<sup>1</sup> Trading activity for PBS was suspended for approximate 20 weeks (June 26, 2024 - November 15, 2024)

<sup>1</sup> Prices as at November 22, 2024  
<sup>2</sup> ASBH down YTD but slightly up post earnings

Higher finance expenses due to increased borrowing costs, higher costs to acquire foreign exchange and the absence of a one-off gain from the previous year tempered profits. AS Bryden recently acquired a 44.8% stake in Caribbean Producers Jamaica (CPJ), as it seeks to bolster its growth prospects and strengthen its position across the Caribbean. Rising operational costs, driven by higher selling and administrative costs (+19.8% or US\$1.29Mn) led to a sharp 97.2% (or US\$1.23Mn) decline in CPJ's net profits attributable to shareholders. As the company gears up for oncoming business opportunities, it has been employing additional staff which contributed to the rise in costs. Additionally, CPJ was affected by a drop in tourist arrivals between July and September 2024 which resulted in a 0.6% (or US\$203.73Mn) decline in revenues. The market reacted negatively to the weaker earnings, as its share price declined by 1.5% post-earnings but remained relatively flat YTD down 0.2%. While consolidation within the M&D sector can create synergies for the targets and the acquirer, there are also concentration risks, exemplified by the downturn in these subsidiaries, ultimately weighing on Seprod's overall performance.

Carreras and Lasco Manufacturing (LASM) managed to withstand the shocks during the quarter, with both reporting higher earnings. Carreras was a standout performer, reporting a 21.9% (or \$667.39Mn) YTD increase in net profit attributable to shareholders to \$3.71Bn. This growth largely stemmed from strategic price increases made in 2023 and its June 2024 quarter, which enabled a 5.4% (or \$646.84Mn) rise in revenues to \$12.72Bn. In its September quarter, Carreras' net profit grew by 57.9%, driven by a 28.4% increase in revenues, which was the primary contributor to the YTD results. Investor confidence mirrored the company's earnings performance spiking immediately following the release but normalised with its price falling by 1.4% a week later. However, the stock price remains strong, up 36.6% YTD. With strong profitability and a consistent dividend

**Although the performance during this earnings season has been somewhat shaky, the outlook for the M&D sector is cautiously optimistic. With inflation stabilising within the Bank of Jamaica's (BOJ's) 4%-6% target range, this could support additional rate cuts and lower borrowing costs that encourage business investment and growth within the M&D sector.**

payout, Carreras' foundation is solid as it continues to attract investors seeking reliable cash flows. Similarly, LASM earnings also remained resilient, with a 12.2% increase in net profit YTD to \$1.28Bn, despite a 7.3% (or \$234.52Mn) falloff in its September quarter revenues largely due to supply chain issues, production downtime due to maintenance activities and the passage of Hurricane Beryl. The company has been having difficulties sourcing specific raw materials, particularly micronutrients and vitamins and has been working to find alternative sources. Furthermore, LASM increased inventory in response to the supply chain disruptions stemming from Houthi attacks on commercial vessels in the Red Sea, which have increased logistics costs and warehouse space expenses. Like Carreras, LASM's stock price surged by 57.0% YTD but declined by 8.9% due to large volumes of shares sold immediately following its earnings release on November 8th.

Although the performance during this earnings season has been somewhat shaky, the outlook for the M&D sector is cautiously optimistic. With inflation stabilising within the Bank of Jamaica's (BOJ's) 4%-6% target range, this could support additional rate cuts and lower borrowing costs that encourage business investment and growth within the M&D sector. The M&D sector may also see renewed momentum as local tourism benefits from a positively revised travel advisory from the U.S. State Department and key

stakeholders boosting Jamaica's tourism product to engage returning and first-time visitors. Renewed tourism momentum would boost the profitability of companies connected to the hospitality industry, contribute to broader economic growth, support low unemployment and ultimately spur the demand for manufactured products. However, global uncertainties like potential tit-for-tat tariffs between the US and its trade partners and increased fiscal spending under a second Trump presidency could prove inflationary and limit additional rate cuts from the U.S. Fed. Slower U.S. Fed rate cuts may influence the BOJ by potentially slowing the pace of interest rate reductions locally, given the need to maintain an attractive differential between USD and JMD interest rates. This could pose risks to the M&D sector's outlook. However, for investors with a long-term investment horizon, there are opportunities for both price appreciation and earnings within the M&D sector, particularly for those that adapt their strategies to navigate the evolving economic environment and continue to generate increasing returns to shareholders.

## Foreign Exchange Market

For the week ending November 01, 2024, the Jamaican dollar experienced fluctuations but ended the week giving up ground against the USD. The weighted average selling rate for US\$1 moved from \$159.01 on October 25, 2024, to J\$159.23, a 0.14% depreciation of the JMD against the USD relative to the prior week. Despite this depreciation, the currency demonstrates a degree of stability, supported by balanced demand and supply.

Selling	Close: 11/15/24	Close: 11/25/24	Change
J\$/US\$1	\$159.30	\$157.96	-\$1.34
J\$/CDN\$1	\$115.73	\$113.78	-\$1.95
J\$/GBP£1	\$202.84	\$201.14	-\$1.70

## Global Bond Prices

US economic conditions under President-elect Donald Trump are raising concerns about the impact on emerging market bonds with investors predicting that a stronger US dollar and higher-for-longer treasury yields could exacerbate outflows from the sector. Expectations are that Trump's proposed tax cuts, tariffs, and fiscal policies could stoke inflation, pushing the US dollar higher. This would keep the Fed's policy rate and ultimately, the U.S. treasury yields, higher for longer. The prospect for a higher for longer Fed policy rate and treasury yields is reflected in the diminishing expectations of a dovish Monetary policy stance from the Fed. Last month, the CME FedWatch Tool's probability for a 25-basis point rate cut at the Fed's December 18 meeting was 71.70%, but on November 24, that probability dropped to 50.89%. Under a scenario of a stronger US dollar and higher-for-longer treasury yields, emerging market sovereigns and corporate bond issuers may face increasing challenges in managing their debt loads due to higher-than-expected debt-servicing costs from weaker local currencies.

Bonds	Currency Rating	Indicative Price	Yield	Recommendation
ALSEA (7.75%) 2026	Ba3/Stable	105.00	5.13%	BUY
BACR (5.75%) 2026	A/Stable	104.50	3.11%	BUY
BERMUD (3.72%) 2027	A2/Stable	100.75	3.35%	BUY
BERMUD (4.75%) 2027	A2/Stable	101.75	4.29%	BUY
CHTR (4.2%) 2028	Ba2/Stable	100.50	4.03%	BUY
CWCLN (6.88%) 2028	BB-/Stable	102.75	5.79%	BUY
DOMREP (6.88%) 2026	BB/STABLE	104.75	2.68%	BUY
DOMREP (5.50%) 2029	BB/STABLE	100.50	5.36%	BUY
DOMREP (5.95%) 2027	BB/STABLE	103.50	4.23%	BUY
DOMREP (6%) 2028	BB/STABLE	103.50	4.93%	BUY
DOMREP (6%) 2033	BB/STABLE	101.25	5.81%	BUY
DOMREP (8.63%) 2027	BB/STABLE	107.00	5.45%	BUY
GEOPAR (5.5%) 2027	B+/Stable	98.75	6.13%	BUY
GM (5.4%) 2029	Baa2/Stable	97.00	5.47%	BUY
GS (3.85%) 2027	BBB/Stable	101.50	3.12%	BUY
GS (5.8%) 2026	BBB/Stable	104.25	3.19%	BUY
LTMCI (7.88%) 2030 (NEW) <sup>3</sup>	BB-/Positive	105.25	6.69%	BUY
M (5.88%) 2030	BBB-/Stable	100.50	5.76%	BUY
NFLX (5.88%) 2028	A/Stable	107.75	3.75%	BUY
NFLX (4.38%) 2030	A/Stable	104.00	4.06%	BUY
NRG (3.88%) 2032	BB/Positive	92.25	5.18%	BUY
PRIOBZ (6.13%) 2026	BB-/Stable	103.75	3.57%	BUY
PRMRPA (10.75%) 2028	B+/Stable	110.50	7.44%	BUY
PYPL (2.85%) 2029	A-/Stable	95.50	3.88%	BUY
SFC (5.3%) 2028	BB-/Positive	101.25	4.90%	BUY

<sup>3</sup> Issuer- LATAM Airlines Group S.A., Industry- Airline, Type-Senior Secured, Callable-Yes, Coupon Rate- 7.875%, Coupon Payment- Semi-annually, Maturity- April 15, 2030, Risk Profile - Moderate

Bonds	Currency Rating	Indicative Price	Yield	Recommendation
TPHLTT (9%) 2029	Ba3/Stable	107.75	7.03%	<b>BUY</b>
TRAJAM (5.75%) 2036	BB/Positive	97.00	6.11%	<b>BUY</b>
TRITOB (4.5%) 2026	BBB-/Stable	101.75	3.41%	<b>BUY</b>
BEEFBZ (4.88%) 2030	BB/Stable	85.65	7.22%	<b>BUY</b>
KINGAIR (6.88%) 2036 (NEW!)	BB/Stable	106.00	6.04%	<b>BUY</b>
BANORT (5.75%) 2031	Baa2/Positive	97.75	1.55%	<b>SELL</b>
CSOLNO (6%) 2027	B+/Stable	14.00	296.55%	<b>SELL</b>
NFE (6.5%) 2026	B+/Stable	97.25	8.16%	<b>SELL</b>
NFE (6.75%) 2025	B+/Stable	98.00	7.69%	<b>SELL</b>

## GOJ Globals

Ticker	Maturity	Bid	Offer Yield*
JAMAN	2028	103.10	5.36%
	2039	116.60	6.15%
	2045	116.40	6.43%

\*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 (NCBCLM) are adjusted to reflect the costs associated with completing the transaction on the respective client's behalf.

## Local Corporate Bonds

Name	Maturity	Coupn	Price	Yield
BDHR	2025	6.50%	100.85	6.03%
SJPC	2027	8.15%	100.35	8.02%
PBS	2032	8.85%	103.75	8.18%

## Money Market

Last week, liquidity in the JMD money market increased, as measured by the aggregated current balances held by Deposit-Taking Institutions (DTIs). As at November 22, 2024, the total current balance was J\$52.32Bn, marking a 39.17% increase compared to the previous week. The BOJ also intervened in the currency market three times last week (November 20 – 22), offering an aggregate of US\$130.0Mn.

Demand for money market instruments improved as yields increased week-over-week. The average yield from the most recent BOJ 30-day competitive price auction increased from 6.97% the previous week to 6.98%. The auction was oversubscribed, with total bids reaching J\$54.50Bn, compared to an offer size of J\$40.00Bn, resulting in a bid-to-offer ratio of 1.36x, compared to 1.17x the previous week. The next auction will occur on November 27th.

On November 21, 2024, the BOJ, during its meetings on November 19 and 20, decided to further ease its monetary policy by reducing the policy rate by 25 basis points (bps) to 6.25%, effective November 22, 2024. This decision was driven by an improved inflation outlook, with annual headline inflation for October 2024 at 4.90%, within the BOJ's target range of 4.00 to 6.00%. Core inflation remained below 6.00% for the sixteenth consecutive month. Inflation is expected to stay within the target range for the next two years, supported by falling international grain prices and stable private-sector inflation expectations<sup>4</sup>.

## Dates to watch this week

■ International ■ Local

### November 2024

MON	TUE	WED	THUR	FRI
<b>25</b>	<b>26</b>	<b>27</b>	<b>28</b>	<b>29</b>
SCI - Preference Share Offer Opening Date  JBG Dividend Payment Date (J\$0.20/share)	MGL Dividend Payment Date (J\$0.125/share)  US FOMC Minutes	SEP - Extraordinary General Meeting (EGM)  JETCON - Extraordinary General Meeting (EGM)  US GDP (QoQ - Q3)  US PCE Price Index (MoM) (Oct)		SCI - Extraordinary General Meeting (EGM)  ROC Dividend Payment Date (J\$0.045/share)  CAD GDP (QoQ - Q3)

## Recommendations

Ticker	Closing Price (November 26, 2024)	P/E	Avg. Sector P/E	Current Recommendation
GK	\$75.06	8.9x	16.4x	<b>BUY</b>
INDIES	\$3.00	19.0x	15.6x	<b>BUY</b>
KW	\$30.49	14.5x	10.9x	<b>BUY</b>
LASD	\$4.19	10.7x	12.9x	<b>BUY</b>
OMNI	\$1.06	15.8x	19.5x	<b>BUY</b>
SALF	\$3.50	15.2x	12.9x	<b>SELL</b>

## Regional News

### Government of Bahamas Beats Bond Buyback Target At \$216Mn

The Government of Bahamas has beaten its debt buyback target by agreeing to repurchase almost US\$216.00Mn in Bahamian foreign currency bonds that were listed and traded on major international stock exchanges. The total to be acquired, using financing from a \$300Mn loan provided by Standard Chartered Bank, slightly exceeds the original US\$210.00Mn goal and was disclosed in a statement issued on the Government's behalf before global markets closed on Friday, November 15, 2024. The release revealed that the Government received \$445.82Mn worth of offers from investors to sell their holdings of Bahamian sovereign bonds spread across six different issues with principal maturity dates ranging from 2028 to 2038. The \$215.69Mn to be repurchased means that the Davis administration accepted just under half, or 48.30%, of investor offers. The combined value of the offers accepted by the Government following the transaction's closing represents just 8.80% of the combined US\$2.43Bn in principal covered by the outstanding bond issues. The rationale for the debt buyback has yet to be fully disclosed. However, the Government is likely to be exchanging higher-cost bonds for a Standard Chartered loan carrying a lower interest rate, later maturity date and more favourable terms. Furthermore, the interest savings generated from this buyback should finance a conservation trust fund set up by the Government to help safeguard the marine environment. The transaction thus has some characteristics of a debt-for-nature swap. The Bahamas is also understood to be working on a similar transaction, possibly worth up to US\$500.00Mn, with the Inter-American Development Bank (IDB) - a deal that the latter's president recently confirmed is being worked on in an interview with international media. Securing the US\$500.00Mn IDB loan would allow the Bahamas to refinance an additional 22.60% of outstanding debt at a more favourable rate. This would mean lower debt servicing costs, unlocking more funds for investments in domestic projects and reducing the sovereign's fiscal deficit.

Source ~ The Tribune & NCBCM Research

### Steady Broad-Based Growth to Continue in Costa Rica in 2025

Costa Rica's GDP is expected to grow 4.1% in 2024 and 3.6% in 2025, according to Fitch Solutions, up from earlier projections of 4.0% and 3.4% respectively. The upward revision in the forecast for GDP is in line with a slightly improved outlook for US economic growth by the agency. The improved outlook is also informed by recent data indicating that economic activity continued to hold up well during Q3 2024, with growth estimated at around 4.0% compared to an average of 4.3% over the first half of the year. Private consumption will be the main contributor to growth, amid low inflation and a tighter labour market, while easing monetary conditions will sustain robust investment growth. Additionally, export growth will remain positive, but slow due to softer demand in the US and less favourable base effects for the tourism sector. Risks to the forecasts are mostly connected to dynamics in the US economy, with the potential for more protectionist and anti-immigration policies under Trump a key headwind for Costa Rica and the wider Central American region.

Source ~ Fitch Solutions

## International News

### UK Inflation Jumps To 2.3%, Underscoring BoE's Stance for Gradual Rate Cuts

British inflation jumped by more than expected last month to rise back above the Bank of England's 2.0% target. Underlying price growth gathered speed too, showing why the BoE is moving cautiously on interest rate cuts. Consumer prices rose by an annual 2.3% in October, pushed up almost entirely by an increase in regulated domestic energy tariffs, after a 1.7% rise in September which was the first time the inflation rate had fallen below the BoE's target since 2021. The British Pound Sterling strengthened by almost a third of a cent against the U.S. dollar after the data was published before losing most of those gains. Interest rate futures priced at a slightly slower pace of rate cuts and bond prices fell. The BoE's most recent forecast and a Reuters poll of economists both pointed to a weaker CPI reading of 2.2%. James Smith, research director at the Resolution Foundation think tank, said a rise had been expected as last year's energy price falls dropped out of the annual calculation and the price cap increased in October.

Source ~ Reuters

## Fed Survey Finds Inflation Fading as a Risk Next to Debt, Trade Wars

President-elect Donald Trump may have campaigned hard against high inflation, but by the time of his Nov. 5 election victory financial professionals had moved on from rising prices and begun worrying about rising U.S. debt, possible recession, and risks to global trade as among the top threats to the stability of the financial sector, according to a new Federal Reserve survey released on Friday. These concerns have also been reflected in recent bond market behaviour, with yields on 10-year Treasury notes, for instance, rising sharply over the last two months despite the Fed having cut its benchmark lending rate twice by a total of 75 basis points. Meanwhile a potential weakening in the economy and the possibility of a global trade war moved higher on the list of worries. “Risks to global trade were specifically cited in this survey, with some respondents noting the potential for tariff barriers to prompt retaliatory protectionist policies that would negatively affect global trade flows and put renewed upward pressure on inflation,” the survey found. The Fed survey, published as part of the Fed’s biannual financial stability report, was conducted among two dozen financial sector participants and observers from August to October. While that preceded Trump’s election win, the poll highlights issues likely to be central in coming debates on taxes, tariffs, and other economic issues.

Source ~ Reuters

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