CAPITAL MARKETS LIMITED

Market Guide

September 22, 2026

THIS ISSUE

Feeling the Heat: What a Strong El Niño Could Mean for Jamaica and Investors

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"A budget is more than just a series of numbers on a page. It is an embodiment of our values." – Barack Obama

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Feeling the Heat: What a Strong El Niño Could Mean for Jamaica and Investors

Summer may be over, but the heat is still on, and as Jamaica contends with unusually hot and dry conditions, the temperature is not the only thing that's on the rise. Consumer prices have risen 7.9% in the year to August 2026, its highest level in more than two and a half years. With consumer prices already elevated as geopolitical tensions keep pressure on global energy and shipping costs, the strengthening El Niño is adding another source of heat to inflation, which could put a damper on the outlook for the economy. The combination raises an important question: what happens if Jamaica must continue contending with pressure from both the super El Niño and a further escalation of global geopolitical tensions? This week we discuss what this strong El Niño could mean for Jamaica and investors, particularly as its effects are coinciding with the escalating Middle East conflict.

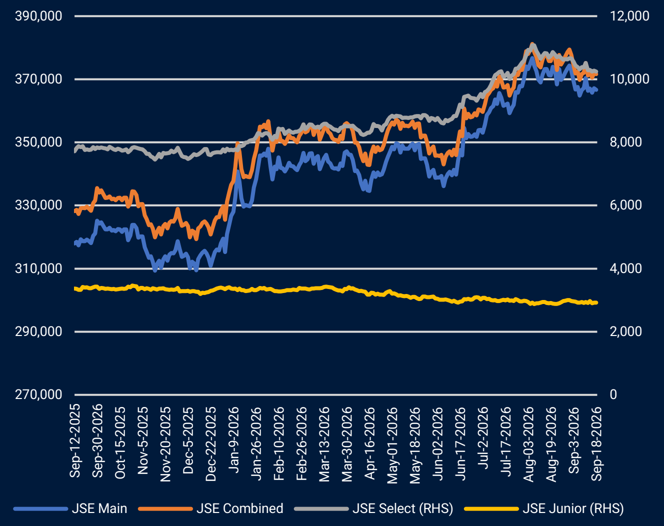
Jamaica and the wider region could face increasingly challenging conditions if this year's El Niño strengthens as forecasted. El Niño is a recurring climate pattern associated with unusually warm waters in the tropical Pacific, which can alter weather patterns globally. The US National Oceanic and Atmospheric Administration (NOAA) is estimating a greater than 90% chance of a very strong El Niño between September 2026 and February 2027. A stronger El Niño could compound existing drought conditions, which are already affecting agricultural production and reducing crop yields and harvested acreage. Further afield, El Niño is also pressuring the Panama Canal, where authorities have reduced available transit capacity and could reduce it further amid unseasonably low rainfall.

Drought to Dollars: The Economic Ripple Effect

What began as a rainfall deficit is quickly becoming a challenge. Hotter and drier conditions are already affecting the economy through several channels and a stronger El Niño could intensify these pressures. Agriculture is one of the clearest transmission channels. Lower rainfall and reduced water availability are affecting crop yields and livestock production, shrinking domestic food supply and putting upward pressure on food prices. The Planning Institute of Jamaica (PIOJ) estimated that agricultural output contracted by 17.0% during the April-to-June 2026 quarter, primarily reflecting the lingering effects of Hurricane Melissa, with the worsening drought conditions now compounding the sector's challenges. Consequently, for households, a stronger El Niño could mean even higher grocery bills and weaker purchasing power. For businesses, the impact could come through higher input costs, particularly for companies involved in food production, processing, distribution and hospitality.

The El Niño event is also impacting local producer and consumer prices through the cost of imported food, global shipping and transportation rates, animal feed and other agricultural inputs. For an import-dependent economy such as Jamaica, these global agricultural pressures can add to imported inflation, at a time when higher energy prices are already feeding through to domestic prices. Another important channel is shipping. The Panama Canal relies on freshwater to operate its locks, making prolonged periods of low rainfall particularly important for regional and local trade. Amid reduced precipitation, the Panama Canal Authority (ACP) has already lowered available daily transit slots. Recent history gives guidance on the possible impact on local imports. In 2024, drought-related water restrictions contributed to a 21% year-over-year decline in deep-draft vessel transits through the Panama Canal, according to the ACP. UN Trade and Development (UNCTAD) similarly reported that in 2023, Panama Canal restrictions contributed to a 25% decline in cargo volumes on affected grain and minor-

WEEKLY MOVEMENT IN INDICES



MOVEMENT IN INDICES

JSE Indices	Closing Levels	WoW % Change	YTD % Change
Combined Index	371,601.66	-0.96%	13.14%
Main Market Index	366,700.15	-0.99%	15.32%
Select Index	10,241.87	-2.59%	33.43%
Junior Market Index	2,923.65	0.53%	-14.05%

WINNERS & LOSERS FOR THE WEEK ENDED SEPTEMBER 18, 2026

	$ Change	% Change
RAWILL	$0.25	65.79%
QAINIC	$4.72	27.85%
ISP	-$3.03	-30.76%
MTL	-$0.02	-26.66%

MARKET OVERVIEW

Last week, the local equity market, as measured by the JSE Combined Index, declined 0.96%, effectively surrendering the prior week's gains. The pullback was driven primarily by losses in TransJamaican Highway Limited (TJH: -6.4%), Sagicor Group Jamaica Limited (SJ: -4.3%), Carreras Limited (CAR: -3.1%), and Barita Investments Limited (BIL: -4.1%). Most stocks followed suit, with 66 declining stocks outnumbering advancing stocks (43). Trading activity moderated alongside the decline in the indices. Total market volume fell 27.62% to 97.81Mn units, while the value traded decreased by a comparatively 10.19% to J$746.83Mn. The overall reduction in turnover, together with negative market breadth, is likely a result of investors processing new inflation data, escalating tension in the Middle East and rising U.S. interest rates. Persistent inflation and higher rates could weigh on local equity valuations, while geopolitical tensions add to uncertainty about the outlook.

The negative market breadth also led to 6 of the remaining 8 major indices closing lower, led by the JSE USD Equities Index and the JSE Select Index. The USD Equities Index declined 3.3%, primarily reflecting a 5.1% fall in TJH's USD shares. Meanwhile, the Select Index retreated 2.6%, driven mainly by TJH and CAR. TJH's price decline persisted despite the declaration of an interim dividend of J$0.1652 per share, payable on October 23, 2026. The price retreat may have reflected continued profit-taking by some investors following the stock's YTD appreciation, which peaked at 180.97% on August 5, 2026. Still, the dividend amounts to approximately J$2.06Bn and represents TJH's largest ordinary distribution to date.

The JSE Cross Listed Index and Main Market Index were the only two advancers, increasing 1.63% and 0.03%, respectively. The Cross Listed Index benefited from gains in Massy Holdings Limited and Guardian Holdings Limited of 1.5% and 2.2%, respectively. Meanwhile, the Main Market's marginal advance was supported by a 12.7% increase in A.S. Bryden & Sons Holdings Limited. No material company-specific announcement was identified to explain ASBH's sharp appreciation, suggesting that the movement may have been influenced by thin liquidity rather than a change in the company's outlook.

bulk trade routes from the Americas to Asia. Renewed restrictions could similarly affect cargo flows and increase delays and transportation costs for imported food, raw materials and finished goods. Ultimately, the drought is finding its way from the fields and waterways to consumers' wallets.

Two Sources of Heat: El Niño Meets Escalating Geopolitical Risk

With geopolitical tensions already keeping pressure on global energy and shipping costs, a stronger El Niño is adding fuel to the fire. The ongoing Middle East conflict has kept international commodity prices, particularly crude oil, volatile and elevated. Recent escalation across the region has further disrupted energy markets, pushing oil prices above US$100 per barrel in September. While prices have since eased, continued hostilities and uncertainty around a durable peace agreement leave energy markets vulnerable to renewed disruption. The key risk is the possibility that food, energy and shipping costs surge at the same time.

If these pressures persist, they could turn up the heat on inf ation. Higher transport, commodity and agricultural prices have already contributed to headline inf ation rising from 3.9% in January 2026 to 7.9% in August 2026, above the BOJ's 4.0%-6.0% target range (see Figure 1), with a stronger El Niño potentially adding further pressure.

BOJ maintained its policy rate at 5.50% in August. However, a worsening drought and a prolonged and/or further escalation of the Middle East conf ict could make inf ationary pressures more persistent and, if sustained, begin to inf uence inf ation expectations. These developments could weigh on BOJ's policy decisions, with the Bank indicating that it is prepared to adjust its monetary policy stance if necessary. While a BOJ rate increase is not a foregone conclusion, tighter monetary policy would mean higher borrowing costs for households and businesses, softer consumer and investment demand and higher f nancing costs for listed companies.

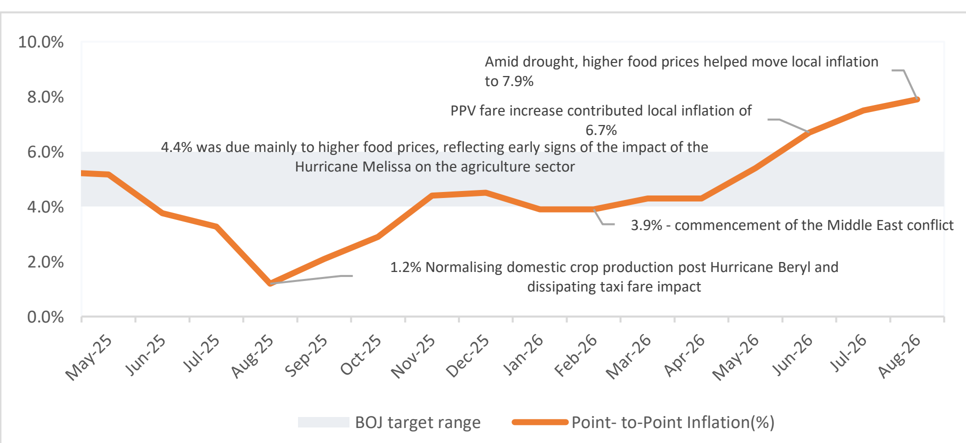
> A stronger El Niño could add another layer of pressure to an economy already contending with elevated inflation and geopolitical uncertainty.

What Does It Mean for Investors?

For investors, the key question is how these pressures could impact corporate earnings, equity valuations and stock price performance. The impact is unlikely to be uniform, with some businesses more exposed to drought, higher energy and freight costs and supply-chain disruptions than others. Agriculture and food-related companies are among the more directly exposed to drought and water constraints. Manufacturers and distributors such as Seprod, Wisynco, GraceKennedy, Everything Fresh, CPJ and Spur Tree Spices could face a different set of pressures. Higher imported food, raw-material, energy and freight costs could increase operating expenses, while supply-chain disruptions could affect inventory availability and lead times. Jamaica Broilers Group has previously highlighted drought and other extreme weather events as risks to agricultural productivity and supply-chain reliability, which could affect production volumes and increase operating costs. Lower agricultural output could also have implications further along the value chain, including for businesses involved in food processing and distribution. The eventual impact on earnings would depend partly on the magnitude of these cost increases and companies' ability to pass them on to consumers without materially weakening demand. For Kingston Wharves, the connection is particularly tangible. The company's previous experience with drought-related Panama Canal disruptions in 2024 demonstrates how weather conditions thousands of kilometres away can ultimately affect Caribbean cargo f ows. Renewed restrictions could therefore make cargo volumes and the severity of any Canal disruption important indicators for investors to monitor. Tourism-related businesses could also feel the effects indirectly. Higher international fuel and transportation costs could affect travel costs, while water shortages and higher food and utility expenses could increase operating costs across the tourism industry. Companies such as Express Catering and Dolphin Cove, as well as distributors supplying the hotel sector, could therefore provide useful indicators of how these pressures f lter through to companies in the tourism sector.

Still, assessing exposure is only part of the equation. How effectively companies manage that exposure will determine the impact on earnings. Pricing power, operational ef ciency, and supplier diversif cation are therefore likely to become increasingly important considerations if these pressures persist. Companies' ability to maintain margins as costs rise by passing price increases on to consumers will also be critical to protecting earnings as they navigate the heat. Ultimately, for investors, remaining disciplined, diversif ed and focused on fundamentally strong companies will be key to mitigating the impact on their portfolio in the current environment.

Figure 1: Local point-to-point inflation



Foreign Exchange Market

For the week ending September 18, 2026, it took J$0.87 less to purchase US$1.00, as the USD selling rate declining to J$157.85 on September 18, 2026. Of note, on September 17 and 18, the Bank of Jamaica (BOJ) sold a total of US$80Mn to the market through its BFXITT standard sale operations. Total bids, however, amounted to US$208.25Mn, significantly exceeding the Bank's offer by 2.6x, reflecting overwhelming demand for USD. Therefore, while the intervention supported the Jamaican dollar's appreciation during the week, the gains could prove short-lived if underlying demand for foreign currency remains elevated, particularly given that the BOJ has intervened less frequently in the market since the start of the year.

Selling	Close: 11/9/2026	Close: 18/9/2026	Change
J$/US$1	158.72	157.85	($0.87)
J$/CDN$1	115.06	113.18	($1.88)
J$/GBP£1	216.15	214.36	($1.79)

Global Bond Market

Global bond markets remained under pressure last week as ongoing energy-supply concerns and a more hawkish-than-anticipated Federal Reserve (Fed) outlook reinforced expectations that interest rates could remain elevated for longer.

After a brief reprieve the previous week amid hopes for diplomatic discussions between Iran and several Gulf states, crude prices rebounded early last week following the postponement of the talks. Supply concerns were compounded by the continued closure of Saudi Arabia's East-West pipeline, a key alternative route for transporting crude to Red Sea export terminals that bypasses the Strait of Hormuz. Brent crude and West Texas Intermediate ended the week at approximately US$103.87 and US$100.30 per barrel, respectively. The persistence of oil prices above US$100 added to concerns that higher energy and transportation costs could broaden inflationary pressures, complicating the outlook for monetary policy.

Against this backdrop, monetary policy dominated market attention, with the Fed unanimously raising its benchmark interest rate by 25 basis points to 3.75%–4.00% on Wednesday, the first increase since 2023. Although the decision was widely anticipated, the accompanying projections and Chair Kevin Warsh's remarks were more hawkish than markets had expected. Sixteen of the 18 Federal Open Market Committee participants projected at least one additional increase in 2026, placing the median year-end policy rate within the 4.00%–4.25% range. The projected policy path also pointed to a growing risk that monetary tightening could extend into 2027. Moreover, Warsh's description of the hike as "removing a dose of policy accommodation" implied that the Fed does not yet view prevailing rates as materially restrictive. His emphasis on broad and persistent underlying inflation further weakened expectations for an early reversal of the tightening cycle.

Consequently, US Treasury yields remained elevated and volatile. The benchmark 10-year yield ended the week at 5.00%, up 2.5 basis points from 4.975% in the prior week. The combination of higher policy-rate expectations, persistent inflation and geopolitical uncertainty remains unfavourable for longer-duration fixed-income securities. Elevated Treasury yields are likely to continue placing downward pressure on bond prices and keeping refinancing costs high for sovereign and corporate issuers. Emerging-market bonds may also face greater differentiation, as higher US yields increase the premium demanded by investors and place greater scrutiny on weaker credits.

	Currency Rating	Indicative Price	Yield	Recommendation
Abbott Labs (4.65%) 2036	A+/ Stable	97.00	5.05%	BUY
Airbnb (5.25%) 2036	A-/ Stable	99.75	5.28%	BUY
Amazon (4.55%) 2033	AA-/ Stable	98.50	4.82%	BUY
Amazon (4.65%) 2035	AA-/ Stable	96.50	5.13%	BUY
Amazon (4.875%) 2036	AA-/ Stable	97.50	5.21%	BUY
Bahamas (6.63%) 2033	BB-/ Stable	102.75	6.11%	BUY
Bahamas (8.25%) 2036	BB-/ Stable	112.50	6.50%	BUY
Bahamas (8.95%) 2032	BB-/ Stable	113.75	6.19%	BUY
Barbados (8.00%) 2035	B+/ Positive	109.50	6.55%	BUY
Blackstone (6.00%) 2032	BBB-/ Positive	100.75	5.83%	BUY
Block Inc (6.00%) 2033	BB+/ Positive	101.50	5.73%	BUY
DOMREP (5.50%) 2029	Ba2/ Stable	102.75	4.28%	BUY
DOMREP (6.00%) 2033	Ba2/ Stable	101.75	5.67%	BUY
DOMREP (5.75%) 2034	Ba2/ Stable	99.50	5.83%	BUY
DOMREP (5.88%) 2035	Ba2/ Stable	99.25	5.98%	BUY
DOMREP (6.15%) 2038	Ba2/ Stable	99.25	6.24%	BUY
DOMREP (6.95%) 2037	Ba2/ Stable	105.75	6.19%	BUY
GEOPARK (8.75%) 2030	B+/ Stable	107.00	6.38%	BUY
Goldman Sachs Private Credit (5.875%) 2031	BBB-/ Stable	101.00	5.61%	BUY

	Currency Rating	Indicative Price	Yield	Recommendation
Jamaica (6.25%) 2037 **(NEW ISSUE)**[1]	BB-/ Stable	104.75	5.66%	**BUY**
Jefferies (6.25%) 2036	BBB/ Stable	102.5	5.90%	**BUY**
Kingston Airport Revenue (6.75%) 2036	Ba3/ Negative	102.00	6.48%	**BUY**
Minerva (4.38%) 2031	BB/ Stable	85.65	6.74%	**BUY**
Minerva (7.50%) 2036 **(NEW ISSUE)**[2]	BB/ Stable	96.75	7.99%	**BUY**
NCBFG (11.0%) 2030	B+/ Stable	108.16	8.48%	-
NETFLIX (4.875%) 2030	A2/ Positive	102.25	4.21%	**BUY**
NETFLIX 5.25% 2036	A/Stable	100.75	5.15%	**BUY**
NRG (3.88%) 2032	BB+/ Stable	93.50	5.28%	**BUY**
NRG (6.00%) 2033	BB+/ Stable	101.50	5.71%	**BUY**
NRG (6.125%) 2036	BB+/ Stable	99.75	6.16%	**BUY**
NRG (6.25%) 2034	BB+/ Stable	101.25	6.05%	**BUY**
Petro Rio (6.75%) 2030	BB+/ Stable	102.50	6.04%	**BUY**
TRANSJAM (5.75%) 2036	BB/ Stable	96.00	97.00%	**BUY**
Trinidad and Tobago (6.20%) 2038 **(NEW ISSUE)**[3]	BBB-/ Negative	100.75	6.11%	**BUY**
Trinidad and Tobago (6.50%) 2036	BBB-/ Negative	103.75	5.97%	**BUY**
Trinidad Generation Unlimited (7.75%) 2033	BB/ Stable	108.50	6.18%	**BUY**
BANORTE (5.75%) 2031	BB-/ Negative	103.50	4.95%	**SELL**
FRICON (7.7%) 2028	C	13.92	160.92%	**SELL**

*Prices and yields are indicative. For further information on the recommendations outlined in this publication, including suitability considerations and detailed investment insights, clients are encouraged to contact their NCB Capital Markets Wealth Advisor. Your Wealth Advisor can provide personalised guidance aligned with your investment objectives, risk tolerance and portfolio strategy. Additionally, see Disclaimer on page 8.

GOJ Globals

Ticker	Maturity	Bid	Offer Yield*
JAMAN	2028	102.15	4.71%
	2036	116.00	6.23%
	2037	100.85	6.13%
	2039	115.85	6.06%
	2045	115.35	6.46%

*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.

Local Corporate Bonds

Name	Maturity	Coupon	Price	Yield
BDHR	2027	8.15%	100.25	7.76%

Money Market

Liquidity in the JMD money market, as measured by the aggregated current balances held by Deposit-Taking Institutions (DTIs), declined by 33.62% last week. As at September 18, 2026, the total aggregate current balance amounted to J$46.35Bn, compared to J$69.82Bn the previous week.

Demand across the Bank of Jamaica's (BOJ) liquidity operations diverged last week. At the latest 30-day Certificate of Deposit (CD) auction, demand softened as the BOJ received J$33.92 billion in bids against J$37.00 billion on offer. The auction was therefore undersubscribed, with the bid-to-cover ratio declining to 0.92x from 1.19x at the previous auction. The average yield for BOJ's competitive price auction increased to 6.15% from 5.80% as the lower bid to cover ratio allowed bids at higher yields to be accepted. This may also reflect expectations that domestic interest rates will remain elevated in the near term, given the rising inflation. The next 30-day CD auction is scheduled for Wednesday, September 23, 2026.

Conversely, demand for short-term central bank funding remained strong. The BOJ also conducted a 14-day repurchase agreement (repo) auction, which received J$4.50Bn in eligible bids from an offer of J$2.50Bn. This translated to a bid-to-cover ratio of 1.80x. The auction's weighted average yield increased by 4 basis points to 6.10%, suggesting participants demanded slightly higher returns for short-term liquidity.

The BOJ is expected to announce its next interest rate decision on September 28, 2026. The Bank is widely expected to maintain its cautious stance and hold the policy rate at 5.50% as it continues to assess domestic and international developments. Inflation has remained above the BOJ's target range for a third consecutive month, broadly consistent with the it's expectation of a breach during the September quarter. However, the case for a more restrictive stance would strengthen if inflation exceeds the BOJ's forecast or if escalating conflicts in the Middle East and Ukraine drive

[1] **Issuer-** Government of the Jamaica, **Type-** Senior Unsecured, Callable-Yes, **Coupon Rate**- 6.25%, **Coupon Payment**- Semi-annually, **Maturity** – September 17, 2037, Risk Profile – Moderate
[2] **Issuer-** Minerva Luxembourg S.A., Industry-Agriculture, **Type-** Senior Unsecured, Callable-No, **Coupon Rate**- 7.50%, **Coupon Payment**- Semi-annually, **Maturity** – April 22, 2036, Risk Prof le – **Aggressive**
[3] **Issuer-** Government of the Republic of Trinidad and Tobago, **Type-** Senior Unsecured, Callable-Yes, **Coupon Rate**- 6.20%, **Coupon Payment**- Semi-annually, **Maturity** – July 16, 2038, Risk Prof le – Moderate

further increases in global commodity prices and their subsequent impact on domestic prices. A policy rate increase before year-end would become more likely if those costs feed more broadly into domestic prices and inflation expectations.

Dates to Watch This Week

International Local

September 2026

MON	TUE	WED	THUR	FRI
21	22	23	24	25
GK Dividend Payment ($0.70)		EPLY Dividend Payment ($0.102 per share) CFF AGM (Derrimon Trading Company Limited)	Producer Price Index (STATIN) SIL Dividend Payment (US$0.000464 per share) SML Dividend Payment ($0.132 per share) FESCO Annual General Meeting (AC Hotel by Marriott)	CHL Dividend Payment ($0.11 per share) MASSY Dividend Payment (TT$0.0354 per share)

Recommendations

Ticker	Closing Price (September 22, 2026)	P/E	Avg. Sector P/E	Current Recommendation
OMNI	$0.89	11.0x	16.7x	**BUY**
SVL	$17.19	22.3x	22.3x	**BUY**
FESCO	$3.40	12.6x	16.7x	**BUY**

Prices and yields are indicative. For further information on the recommendations outlined in this publication, including suitability considerations and detailed investment insights, clients are encouraged to contact their NCB Capital Markets Wealth Advisor. Your Wealth Advisor can provide personalised guidance aligned with your investment objectives, risk tolerance and portfolio strategy. Additionally, see the Disclaimer on page 8.

Unit Trusts

Fund	Fund Composition	Price/ NAV$	12 Month Growth Rate	YTD Growth Rate	Yield (Estimated Yearly Income)
NCB Capital Markets Limited (NCB CAPFUNDS)			NAV* As at September 22, 2026		
O Money Market Fund (M Fund)	F	17.0795	6.20%	5.03%	4.46%
O Income Optimizer Fund (iO Fund) ◊	F	15.8643	3.72%	2.98%	4.01%
☆ Caribbean Equity Fund (E Fund) †	E	27.4904	0.26%	3.64%	8.65%
◊ Real Estate Fund (rE Fund) †	R, F	17.9388	6.39%	5.84%	4.35%
◊ Income Distribution (id Fund) †	F	100.7581	0.00%	0.76%	5.87%
O USD Money Market Fund (xM Fund)	F	1.2589	2.86%	1.96%	2.24%
O USD Bond Fund (xB Fund)	F	1.3673	1.82%	1.90%	2.86%

Key: O = Tax Free (special conditions apply) · ☆ = Tax Free · † = Sales commission/front end fee up to 2% · ◊ = Non-Diversified Unit Trust · F/E/R = Fixed Income, Equity, Real Estate

Regional News

TotalEnergies' offshore project in Suriname on track for first output in mid-2028

French energy company TotalEnergies and its partners in the $12 billion GranMorgu offshore oil and gas project in Suriname are on track to inaugurate output in mid-2028, the head of state-run Staatsolie, Annand Jagesar, said on Saturday during a tour to oversee the development's progress. Suriname is seeking to follow neighbouring Guyana's transformation into a major oil producer through offshore developments led by international energy companies. While plenty of oil and gas deposits have been discovered in Suriname's waters since 2019, the country still awaits its first offshore oil and gas output. Wood Mackenzie in 2024 estimated Suriname's discovered resources at more than 2.4 billion barrels of oil and liquids and more than 12.5 trillion cubic feet (TCF) of gas.

Companies involved in the project - TotalEnergies, Staatsolie and APA Corp have already spent about 50% of total investment planned, said TotalEnergies' chairman Patrick Pouyanne. GranMorgu will be the first developing Suriname's vast offshore resources. Well head components, tubing hangers and other materials manufactured in Malaysia are due to be installed soon to control the flow of oil and gas back to the platform via a network of underwater subsea architecture and pipelines, executives said. The project is located in a large offshore area comprising 1.4 million acres known as Block 58. The block has been closely watched as it is adjacent to Exxon Mobil's massive Stabroek block in Guyana. Jagesar also said he hopes to expand the country's offshore oil and gas production in the block, where TotalEnergies is slated to drill four new exploratory wells next year.

Source ~ Euronext Markets

Americas and Middle East to attract two-thirds of upstream capital in 2027

The Americas and Middle East are expected to attract two-thirds of upstream capital in 2027 as oil and gas companies increase investment to sustain production, replenish reserves and pursue growth opportunities, according to Wood Mackenzie. The projection forms part of Wood Mackenzie's Corporate Strategic Planner Oil & Gas 2027 published September 17, which forecasts a 5% increase in investment next year as companies enter 2027 with stronger balance sheets. Tight oil, deepwater and liquefied natural gas (LNG) are identified as the dominant growth themes in the Americas and Middle East, which are expected to receive the largest share of upstream spending among Wood Mackenzie's peer groups.

The investment comes as companies face declining production across their portfolios. Excluding Middle Eastern national oil companies (NOCs), production across Wood Mackenzie's five peer groups is projected to fall by 31%, equivalent to 18 million barrels of oil equivalent per day (boe/d), between 2030 and 2040. Wood Mackenzie Senior Vice President of Corporate Research Tom Ellacott said the decline will increase pressure on companies to balance financial discipline with the need to renew their upstream portfolios. "Balance sheets are in good shape. But a 31% production decline between 2030 and 2040 means companies will have to manage rising tension between capital discipline and upstream portfolio renewal in 2027," Ellacott said.

Despite higher investment, capital discipline is expected to remain in place. Wood Mackenzie forecasts companies will reinvest an average 50% of operating cash flow in 2027, while 43% will be distributed through dividends and share buybacks. The group is expected to require an average Brent oil price of US$55 per barrel to break even after investment and dividends. Operating cash flow is forecast to remain 14% above 2025 levels under Wood Mackenzie's US$73 per barrel base-case price. Stronger balance sheets could also support increased merger and acquisition (M&A) activity as companies seek to replenish resources. Wood Mackenzie said geographic diversification, particularly toward the Americas, will remain a focus as companies respond to changing geopolitical conditions.

Source ~ Oil Now

International News

U.S. To Build A 'Large Military Presence' In Greenland as Part of a Security Deal with it and Denmark

President Donald Trump on Friday announced an agreement with Greenland and Denmark that gives the U.S. what he described as "permanent control over security, and all other needs" in the Danish island territory. "We will immediately begin the process of developing a large Military presence in the appropriate part of Greenland, of which there are many," Trump said in a Truth Social post. Greenland already has a U.S. military presence under a decades-old defense agreement with Denmark.

However, the deal as described in Trump's post appears to stop far short of his prior insistence that Greenland must be made a part of the United States. Greenland has maintained it is not for sale, and the European Union earlier this year united to rebuke Trump over his push to acquire the island. The Danish prime minister's office in a press release on Friday said that the three governments expect to sign the agreement at the United Nations General Assembly next week. Greenland Prime Minister Mette Frederiksen said in an included statement that the deal "strengthens our common security in the Arctic and the North Atlantic area and therefore is great for NATO and Europe as well."

Source ~ CNBC

JP Morgan struggling to Forecast Oil Prices Due to Trump's War with Iran

Investment banking giant JP Morgan has said it is struggling to predict how oil prices will be impacted by the US-Iran war, telling investors in a rare note that "we simply don't know how to model the endgame". The bank said it assumed at the start of the conflict that there would be "economic red lines" that the Trump administration would be unwilling to cross, and therefore it believed a deal would have been struck to open up the Strait of Hormuz shipping lane back in June. It said such red lines included oil prices rising above $100 a barrel, inflation reaching 4%, gasoline topping $5 a gallon and rates on 10-year government borrowing hitting 5%.

Investors often make investment decisions on inflation expectations, and the price of oil is a major factor in prices rising across the world, given the commodity's widespread use and humanity's dependence on it. While gasoline remains below $5 and inflation has also not reached 4%, oil prices have surged back above $100 in recent weeks and the interest rate - known as a yield - on government bonds, which are issued in order for the US to borrow money from financial markets, has ticked over 5%. "Six months later [since the war began], many of those lines have been crossed, yet the exit strategy is less clear, not more," said the commodities research team at JP Morgan in note. For the first time since the start of the Iran conflict, the Bank don't have a baseline view.

In JP Morgan's note, analysts said it estimated the "fair value" for oil in September would be around $90 a barrel, despite it trading above $100. But it said "the market is pricing in the risk" of more disruption to trade. Analysts cited further risks to oil supply in the Middle East, with Yemen's Houthis, which are backed by Iran, seizing an area at the mouth of the waterway in the Bab al-Mandab Strait, which is another key international shipping route. The conflict between Russia and Ukraine also continues to have an impact. Analysts said with "no clear signals" of the war de-escalating, the assumption that global oil supply disruption was temporary is "becoming increasingly difficult to sustain"

Source ~ BBC

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