NCB CAPITAL MARKETS LIMITED

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Market Guide

THIS ISSUE

"Courage taught me no matter how bad a crisis gets any sound investment will eventually pay off." — Carlos Slim Helu

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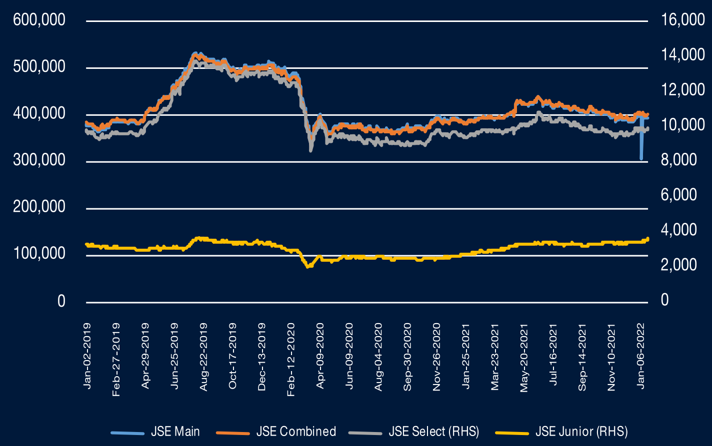
Local Labour Market Shows Vast Improvement

The International Labour Organisation (ILO) is expecting a slower labour market recovery in 2022; however, the local labour market appears to be bucking this trend. In its World Employment and Social Outlook Trends 2022 report, the ILO warned that a slow and uncertain recovery could emerge as the pandemic continues to weigh on global labour markets. As a result, the ILO is projecting that total hours worked globally in 2022 will remain almost 2% below its pre-pandemic level, equivalent to a deficit of about 52Mn full-time equivalent jobs. Consequently, global unemployment is expected to total 207Mn, exceeding the 2019 level by about 21Mn. This outlook is a considerable deterioration relative to the projections in June 2021, when the working hours' deficit relative to Q4 2019 was projected to narrow to less than 1% in 2022. While labour markets globally have been impacted by the pandemic, there has been a great divergence in recovery patterns across countries and segments of the labour market. High-income countries have experienced the strongest recovery, while lower-middle-income economies are faring much worse. Additionally, some groups have been impacted more severely than others, particularly women and youth. The disproportionate impact of the crisis on these groups is expected to last into the coming years. Women's employment-to-population ratio[1] in 2022 is estimated to be about 1.8 percentage points below the 2019 level, relative to a gap of 1.6 percentage points for men despite women having an employment rate that is 16 percentage points below their male counterparts to begin with. Moreover, young people (aged 15–24) have fared much worse than those older than 25 during the crisis. The ILO estimates that the unemployment rate among young people in lower-middle-income countries was 16.6 per cent in 2020 relative to 15.2 per cent in 2019. These figures more than double the 5.1 per cent and 6.6 per cent overall unemployment rate in lower middle income countries for 2019 and 2020, respectively. In contrast, the recent labour market outcome from the Statistical Institute of Jamaica (STATIN) has diverged from the story being told by the ILO. Jamaica saw a significant improvement in its labour market outcome for October 2021 with the unemployment rate falling to 7.1%, below the 7.2% pre-pandemic rate (October 2019).

1 The employment-to-population ratio, also known as the "employment-population ratio," is a measures the civilian labour force currently employed against the total working-age population of a region, municipality, or country.

WEEKLY MOVEMENT IN INDICES



MOVEMENT IN INDICES

JSE Indices	Closing Levels	Weekly Change	YTD % change
Combined Index	402,676.78	+4,253.66	0.39%
Main Market Index	396,141.35	+3,350.45	0.00%
All Jamaican Composite	439,257.71	+4,571.13	0.21%
Select Index	9,925.20	+152.39	0.43%
Junior Market Index	3,585.75	+115.58	4.59%

WINNERS & LOSERS (FOR THE WEEK ENDED JAN 21, 2022)

	$ Change	% Change
SSLVC	+$0.38	+42.22%
MTL	+$4.50	+28.66%
PURITY	-$0.28	-21.71%
ROC	-$0.53	-14.89%

MARKET OVERVIEW

On the Main Market, Wigton Windfarm Limited was the volume leader, followed by JMMB Group Limited and Trans Jamaican Highway Limited, with 13.4Mn, 6.8Mn and 5.5Mn units, respectively.

On the Junior Market, Spur Tree Spices traded 61Mn units which accounted for 49% of the volume traded last week, followed by Express Catering Limited and Future Energy Source Company Ltd. with units of 24Mn and 8Mn, respectively. For Spur Tree, retail investors continued to be bullish resulting in the stock price closing as high as $2.75 in the week. However, this tapered off closer to the end of week and the stock closed its first full week of trading at $2.07, representing a 107% appreciation on its listed price of $1.00.

In Latin America and the Caribbean, the pandemic ravaged many countries and delivered an unprecedented falloff in working hours equivalent to about 36Mn full-time jobs. The region registered net employment losses of approximately 25Mn in 2020, and of that total, about 82% translated into exits from the labour force[2]. The closure and disappearance of millions of Micro, Small and Medium-sized Enterprises (MSMEs) across the region is an indication that employment recovery is likely to lag the resumption of economic growth, and the quality of employment could deteriorate. Although the region reported an estimated 6.0% growth in 2021, employment growth remains limited and has been largely been driven by informal work. While many persons who had exited the labour market at the start of the pandemic re-entered during 2021, the unemployment rate remained elevated at about 10.0%, but is expected to decline in 2022 (9.3%) and 2023 (8.8%)[3]. In keeping with the trend observed in the global labour market, women and youth in the region have been disparately affected by the pandemic. In 2021, more than 38% of the jobs held by women that were destroyed during the crisis have not been recovered, while for men, that figure stood at only 21%. Higher unemployment and falling labour force participation impacted primarily women in households with children under 5 years of age (due to the greater burden of care)[4]. For the region's youth, the ILO has highlighted that at the beginning of 2021, the average regional youth unemployment rate reached 23.8%, the highest level recorded since 2006 and represents an increase of more than 3 percentage points compared to its 2019 level.

The local labour market appears to be making a strong recovery as the unemployment rate fell to a record low amid an increase in the labour force relative to October 2020. The latest Labour Force Survey released by the Statistical Institute of Jamaica (STATIN) revealed that the unemployment rate fell to 7.1% for October 2021, 10 basis points below the 7.2% pre-pandemic outturn recorded in October 2019, and a 3.7 percentage-points lower than October 2020. There were 1,234,800 persons employed in October 2021, an increase of 76,600 (+6.6%) compared to 1,158,200 employed in October 2020. Moreover, the October 2021 outturn showed that there were 1,329,100 persons in the Labour Force, an increase of 31,400 (+2.4%) compared to 1,297,700 in October 2020 but still below (16,000 or -1.2%) the 1,345,100 recorded in October 2019. There was increased employment across most industry groups. The largest increase, 24,500 persons (23.1%), was in 'Real Estate and Other Business Services' which was followed by 'Arts, Entertainment, Recreation and Other Services' which increased by 14,800 persons. For employed males, the largest increase was in 'Construction' (12,000 or 12.3%), and for females, 'Real Estate and Other Business Services' (14,100 or 25.7%)[5]. There were 29,000 fewer persons Outside the Labour Force which we expect is a function of the reopening of the economy especially, the entertainment and hospitality sectors. Further assessment of the figures revealed that the male unemployment rate declined from 8.7% to 5.5%, while female unemployment rate decreased from 13.2% to 9.0%. Youth unemployment fell by 9.3 percentage points to 18.9% during the review period, with a larger decline reported among

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2Exits from the labour force also referred to as Persons Outside the Labour Force are persons aged fifteen and over who are neither employed nor unemployed (i.e. they are neither working nor seeking work) during the reference period.
3 World Employment and Social Outlook Trends 2022
4Economic Commission for Latin America and the Caribbean 2021
5 STATIN - 2022

females (down 12.3 percentage points to 21.6%), while unemployment among young males fell by 7.2 percentage points to 16.6%. This outturn is largely in line with the ILO report where male unemployment rate is generally lower and youth unemployment[6] is more than double that of the 25 and over group. However, the STATIN report also revealed that female and female youth unemployment are falling faster than that of their male counterparts and there was a more significant reduction in females outside the labour force.

Locally, the reduction in unemployment augurs well for the recovery as it is likely to support an increase in private consumption of goods and services. We have already seen where the local labour market is diverging from the prospects laid out by the ILO, nevertheless, the continuation of this positive trend will depend on several factors including the spread of the Omicron variant, and vaccine uptake that will help prevent outbreaks in key areas. For 2022, the ILO has warned that employment and labour force participation[7] levels will remain below, and the unemployment rate above, their pre-pandemic levels through 2023. While Jamaica is not out of the woods as yet, the vast improvement in the labour force thus far is a glimmer of hope as the country continues on its recovery path.

iCreate, Margaritaville (Turks) and Sygnus Real Estate Fund Report Losses

In their most recent financial releases, iCreate and Margaritaville's earnings continued to reflect pandemic-related challenges. In its quarter ended September 2021, iCreate reported a net loss of J$0.54Mn, however, this was markedly lower than the -J$5.35Mn reported for the same period in 2020. iCreate is still facing the depressing impact of lower demand for its services owing to the still-recovering economy and containment measures. However, the company benefitted from efforts to stabilise its operations with new initiatives, such as the addition of a video production division, which contributed to the 1.5% growth in revenues to $7.97Mn. While the company was able to reduce direct and admin & general expenses by 14.0% and 45.0%, respectively, which contributed to an overall operating profit of J$0.22Mn, finance costs of J$0.76Mn, caused the company to generate a net loss. While the tourism industry is witnessing a level of recovery, with increased tourist arrivals, and cruise activity resuming in some countries, up to November 2021, cruise activity had not yet resumed in the Turks and Caicos Islands. Against this background, Magaritaville Turks, reported no revenues for the quarter, with the exception of income earned from items, which were sold off at a cost to avert spoilage. However, operating expenses still amounted to US$0.33Mn, which resulted in incurrence of an overall net loss equivalent to the operating expenses.

Sygnus Real Estate Finance (SRF) also reported a net loss. However, this was partly influenced by the fact that it is in the early stage of its investment cycle, which is characterised by high levels of acquisitions, with investment projects at various stages of development. SRF reported a net loss of $99.95Mn for the three months ended November 2021, down from a net profit of J$25.24Mn in the same period in 2020. While interest income increased by 56.4% (or J$12.75Mn), total interest expense exceeded this resulting in a net interest loss of J$2.23Mn. The outcome for net interest income reflected timing differences in the growth of interest expense due to an increase in debt and preference shares, versus the growth of interest income generated from a larger portfolio of real estate investment notes (REINs). This, along with foreign exchange losses of J$23.46Mn and 159.9% in operating expenses, were major contributors to the net loss for the period. The rise in operating expense was influenced by an increase in performance fees, management fees, and corporate service fees. Its annualised management expense ratio[8] was 3.3%, which is within the threshold level of 3.5%.

All three companies are expected to see improvements in their financial performance in the coming quarters. A large portion of SRF's capital (72%) currently goes to strategic property acquisitions, but it is expected that the company will be able to unlock the underlying value in these assets overtime, which should help to drive its profitability[9]. It should benefit as the real estate market remains attractive, especially the industrial segment, which SRF has indicated that it remains bullish on. Technological advancements, e-commerce growth, increased inventory requirements, consumer spending and supply chain diversification are providing supporting fundamentals for industrial real estate. Furthermore, despite the adverse impact of the trends such as work from home on commercial real estate, SRF has indicated that it is seeing very strong demand from marquee corporate clients for long-term lease of

6 Youth here is 14 to 24 years
7 The labor force participation rate is an estimate of an economy's active workforce
8 The Management Expense Ratio (MER) measures how much of a fund's assets are used for administrative and other operating expenses.
9 Its current projects are allocated across 9 sub-categories of real estate with the largest allocation to hospitality – investment property with 32.0% (Mammee Bay), industrial-investment property with 24.0% (Lakespen Holdings) and commercial-investment property with 16.0% (includes Former French Embassy) (SRF Financial Release, 2022).

floors. iCreate is also seeking to leverage opportunities from real estate with its Creative City subsidiary. The company is engaging in other transformational initiatives including: the acquisition of e-commerce company, Mobile Edge; and further integration of Reggae Sunsplash in its business model, which along with greater domestic recovery should provide some support of its bottom-line. In terms of the outlook for Margaritaville, cruising has returned to Grand Turk on December 16, 2021, and this should support rebound in Margaritaville's revenues in the coming quarters. However, the spread of Omicron and the potential development of other variables may pose downside risk to this forecast. The Center for Disease Control and Prevention recently warned all travelers, even those who are vaccinated, to avoid cruise ships, and some cruise lines have cancelled voyages as infections aboard several ships have risen during the Omicron surge. This could weaken the demand for cruises to the Caribbean, which may adversely impact the recovery in Margaritaville's revenues.

Since the start of the year, SRF's and Turk's stock price have increased by 10.4% and 26.4%, respectively, while iCreate has fallen by 2.5%. At a current price of $18.16, SRF is trading at a 12.7% discount to its net asset value.

Foreign Exchange Market

The Jamaican dollar depreciated 0.55% week over week, with the US$ moving from a selling rate of $155.85 on January 14, 2022, to $156.71 on January 21, 2022. Low inflows and high demand for the US dollar were the main contributors for the depreciation.

Selling	Close: 14/01/22	Close: 21/01/22	Change
J$/US$1	$ 155.85	$ 156.71	+$0.86
J$/CDN$1	$124.87	$125.17	+$0.30
J$/GBP£1	$212.11	$211.72	-$0.39

Dates to watch this week

January 2022

MON	TUE	WED	THUR	FRI
24	25	26	27	28
Eurozone Manufacturing Purchasing Managers Index (PMI)		Bank of Canada's (BoC) Interest Rate Decision and Monetary Policy Report	U.S. Gross Domestic Product (GDP) QoQ (Q4)	
		Fed Interest Rate Decision		
		Sygnus Credit Investments (SCI)- Annual General Meeting 2022		

International | Local

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Money Market

Money market conditions remained tight last week as liquidity remains concentrated across some financial institutions. Market players are opting to lend for O/N to 30 days, with some brokers offering as high as 4.75% – 5.00% to clients.

With the policy rate now at 2.50%, we anticipate further rate increases in the coming months as the BOJ attempts to guide the inflation rate back within the target range of 4.00% - 6.00%.

the average yield from the Bank of Jamaica's (BOJ) competitive auction on its 30-days CD fell to 4.06% relative to 4.14% in the prior week. The highest bid for full allocation was 4.11%. A total of J$6.50B was offered in the auction, while the total bids received was J$18.157B.

For the upcoming quarter, the USD money market will remain stable, despite movement in market activity affecting liquidity. Broker market demand for USD remains at 30-days and longer tenured funds, with some brokers offering as high as 4.50% to clients.

GOJ Global Bond Prices

Treasury yields remain up sharply in 2022, but pulled back Friday, as a stock-market selloff appeared to prompt buying interest in government debt and as investors prepared for this weeks'meeting of Federal Reserve policy makers. The selloff in Treasuries that drove yields sharply higher to begin the new year, took a pause. The move higher in yields has been driven by signals that the Federal Reserve will be much more aggressive than previously expected in raising interest rates and otherwise tightening monetary policy in response to persistently high inflation.

The sharp run-up in yields has been seen as a trigger for a stock-market stumble, particularly for tech and other so-called growth stocks. Growth stock valuations are based on expectations for cash flow far into the future. When Treasury yields rise, the value of that future cash is discounted. But analysts said the selloff in equities appeared to reach a threshold where it prompted some modest haven-related buying interest in Treasuries, a shift that appeared in Thursday's session and continued on Friday.

US 10-Year Treasury yields decreased week over week from 1.789% to 1.751%. Of note, on Tuesday the treasury yield experienced a peak to levels last seen before the pandemic, reaching as high as 1.877%, as a result of the aforementioned investor concern.

Jaman bond prices decreased week over week. The Jaman 28s, 36s and 39s. The Jaman 28s, 39s, and 45s closed with bids of 114.90, 139.00 and 139.00 respectively.

The prices of Domrep 32s and 41s increased week over week; however, the 44s and 45s decreased. The 30s, 32s, 41s, 44s and 45s closed with bids of 98.80, 98.80, 96.15, 114.10 and 106.05, respectively.

With inflation and the global pandemic still a concern, bond prices are likely to be subject to high volatility.

Ticker	Maturity	Bid	Offer	Offer Yield*
JAMAN	2028	114.500	115.500	3.93%
	2039	139.000	140.000	4.60%
	2045	139.000	140.000	4.97%
NFE	2026		101.40	6.15%

*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	Coupn	Price	Yield
GHL	25/9/2025	6.50%	103.90	5.34%
SEPROD	25/9/2025	6.75%	105.00	6.05%

Stock Recommendations

Ticker	Last Closing Price	Current Recommendation
MAILPAC	$3.34	BUY
WISYNCO	$17.16	HOLD
FTNA	$7.70	HOLD
JBG	$27.95	HOLD
JMMBGL	$38.48	BUY
LASF	$3.03	SELL
AFS	$26.28	SELL
JAMT	$3.99	BUY
JSE	$17.66	HOLD
PROVEN (JMD)	$33.40	BUY
PROVEN (USD)	$0.23	BUY
SCIJMD	$14.39	BUY
LAB	$3.42	HOLD
SJ	$54.00	HOLD

Ticker	Last Closing Price	Current Recommendation
SEP	$62.06	HOLD
SGJ	$35.59	HOLD
QWI	$0.86	HOLD
GK	$98.41	BUY
CCC	$70.03	HOLD
KEX	$7.99	HOLD
HONBUN	$9.57	HOLD
SML	$5.85	BUY

Regional News

Guyana Could Earn Around US$86Million From Ninth Oil Lift (Guyana Chronicles)

With global oil prices now at the highest level in seven years, Guyana's prospects of earning more money from its next oil lift is greater than ever before. At end of Tuesday, the cost for Brent – the benchmark Guyana uses to sell its crude – stood at approximately US$86 per barrel. Should this remain the case when the country sells its ninth one-million-barrels of oil in the coming weeks, the sale could rake in as much as US$86 million, up from the US$73.8 million received from the eighth oil lift in November 2021. Given that the oil and gas sector accounts for more than 17% of total GDP, it will be one of the factors driving the projected 48.7% economic growth for 2022. In the coming years, Guyana is looking to position itself as a key producer with the capacity to cushion some of the supply shortfalls on the global market. The nation remains poised to become a major supplier within the global oil market, at least for the next 100 years.

Puerto Rico's Record Bankruptcy Ending After Debt Plan Nod by Federal Judge (Bloomberg)

After more than four years of negotiating with bondholders on how to reduce its debt load, Puerto Rico's record municipal bankruptcy is coming to an end. The federal judge overseeing the bankruptcy case on Tuesday approved a debt restructuring plan that is seen as the last major hurdle in order to exit court protection. It shrinks $22 billion of bonds down to $7.4 billion and established a reserve trust to fund the island's broke pension system. While the bankruptcy process cut Puerto Rico's annual bond payments down to $1.15 billion, it's not a cure for its underlying issues, including a shrinking population and weak infrastructure. And the government still needs to come up with $3.4 billion a year to cover all its debt and pension benefits costs. However, exiting bankruptcy will allow the island to move beyond default, begin repaying bondholders and creditors, focus on growing its economy and rehabilitate a weak electrical grid that suffers from chronic outages. Additionally, the US commonwealth will need to restore bondholder confidence that the island can balance its budget without using borrowed money.

International News

U.S. Weekly Jobless Claims At Three-Month High Amid Omicron Wave (Reuters & Fitch Solutions)

The number of Americans filing new claims for unemployment benefits jumped to a three-month high last week, likely as a winter wave of COVID-19 infections disrupted business activity, which could weigh on job growth in January. The third straight weekly increase in jobless claims reported by the Labour Department on Thursday was also influenced by unfavourable seasonal factors after the holidays. But coronavirus cases, driven by the Omicron variant, are subsiding and the seasonal factors, the model used by the government to iron out seasonal fluctuations in the data, are seen normalising soon, suggesting the recent surge in applications is a blip.

"The Omicron variant of COVID-19 is hurting the U.S. labour market, but the good news is that this will be temporary," said Ryan Sweet, a senior economist at Moody's Analytics in West Chester, Pennsylvania. Initial claims for state unemployment benefits surged 55,000 to a seasonally adjusted 286,000 for the week ended Jan. 15, the highest level since mid-October. The increase was the largest since last July. Economists polled by Reuters had forecast 220,000 applications for the latest week. Several labour market indicators such as job vacancies and unemployment point to further employment gains in the months ahead as the economic recovery continues, although weaker growth momentum and the withdrawal of government support will narrow the scope of such gains relative to 2021. However, Fitch Solutions believes upside pressures on nominal wages could intensify over the coming months as labour markets strengthen further.

Inflation surge could push the Fed into more than four rate hikes this year, Goldman Sachs says (CNBC News)

Accelerating inflation could cause the Federal Reserve to get even more aggressive than economists expect in the way it raises interest rates this year, according to a Goldman Sachs analysis. With the market already expecting four quarter-percentage-point hikes this year, Goldman economist David Mericle said the omicron spread is aggravating price increases and could push the Fed into a faster pace of rate increases. "Our baseline forecast calls for four hikes in March, June, September, and December," Mericle said in a Saturday note to clients.

"But we see a risk that the [Federal Open Market Committee] will want to take some tightening action at every meeting until the inflation picture changes." The report comes just a few days ahead of the policymaking group's two-day meeting starting on Tuesday.

Markets expect no action regarding interest rates following the gathering but do figure the committee will tee up a hike coming in March. If that happens, it will be the first increase in the central bank's benchmark rate since December 2018. Raising interest rates would be a way to head off spiking inflation, which is running at its highest 12-month pace in nearly 40 years. Mericle said that economic complications from the Covid spread have aggravated imbalances between booming demand and constrained supplies. Secondly, wage growth is continuing to run at high levels, particularly at lower-paying jobs, even though enhanced unemployment benefits have expired and the labor market should have loosened up.

"We see a risk that the FOMC will want to take some tightening action at every meeting until that picture changes," Mericle wrote. "This raises the possibility of a hike or an earlier balance sheet announcement in May, and of more than four hikes this year."

UK economy finally bigger than before pandemic in November (Reuters)

China's zero-Covid policy and broader economic circumstances could be weighing on currencies that should be reaping the benefits of higher commodity prices, strategists at BMO Capital Markets have suggested. Although commodity prices have soared so far in 2022, with Brent crude on Wednesday notching its highest price since October 2014, commodity-based currencies such as the Norwegian krone and Australian, New Zealand and Canadian dollars have been relatively subdued.

As of Friday morning in Europe, the Aussie dollar was down 0.9% and the kiwi by 1.45% against the greenback year-to-date. The Canadian dollar was also down 0.9% year-to-date, while the U.S. dollar had gained 0.55% against the Norwegian krone. "What we would typically expect to see is the New Zealand dollar rallying alongside agricultural commodity prices and Aussie rallying alongside base metals, but thus far this year, Aussie and Kiwi are both down — get this — against the euro and the yen," Greg Anderson, BMO's global head of FX strategy, said in a podcast last week.

Anderson noted that the central banks in these commodity-driven economies have been less hawkish than the U.S. Federal Reserve so far this year, but suggested this only provides a partial explanation for this divergence between commodity prices and commodity currencies. European Head of FX Strategy Stephen Gallo suggested that ripple effects from China could be feeding into the performance of developed market commodity-based currencies.

"We know China is implementing its zero-Covid strategy. That has implications for both supply and demand, but it could conceivably be eating into China's demand for certain raw materials," Gallo said.

Gallo noted that international trade data out of China shows evidence of slower nominal growth rates of certain commodity imports, while import growth has been more subdued than export growth. "Is that growth backdrop in China transmitting through to commodity-based currencies? Yep, possibly it is. Might China's economic backdrop contribute to a deceleration in global inflation pressures later this year? Possibly, but we don't know for sure," he added.

Over the medium term, Gallo suggested that the Chinese government's Made in China 2025 initiative, which aims to reduce China's reliance on foreign tech imports and invest heavily in domestic innovation, could permanently alter the way that Chinese demand influences global currencies.

NCB Capital Markets Ltd (formerly Edward Gayle and Co.) established in 1968 is Jamaica's oldest stockbrokerage. The company became a part of the National Commercial Bank (NCB) Group in 1994 and a fully owned subsidiary in October 2002. In December 2002, the then Edward Gayle and Co. was merged with another NCB subsidiary, NCB Investments. The products distributed by this combined subsidiary cover the traditional money market product offerings (J$ and US$ Repos), primary dealer services, stock brokerage and investment advisory services. Edward Gayle was renamed NCB Capital Markets Ltd. in October 2003.

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