CAPITAL MARKETS LIMITED

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Market Guide

THIS ISSUE

"In investing, what is comfortable is rarely profitable." – Robert Arnott

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Russian Invasion Implications for Economic Recovery

Russia's invasion of Ukraine on Wednesday, 23 February 2022 caused risky assets across global financial markets to decline and drove up commodity prices as investors feared the conflict could escalate and threaten the global recovery. The price of oil surged above the $100 mark and is currently above $105 a barrel for the first time since 2014. The conflict has triggered fears of disruptions to oil and other commodity supplies as Russia and the Ukraine are major global producers of commodities. Even if the war is not prolonged, the conflict is likely to result in Russia's isolation, which will reduce supplies. According to data from the US Department of Agriculture, Russia and Ukraine are both major commodity producers. Russia produces about 10% of the world's oil, and together Russia and Ukraine account for a third of the world's wheat and 20% of the world's corn production. Consequently, prices rose as the conflict could have significant implications for supplies of these critical commodities.

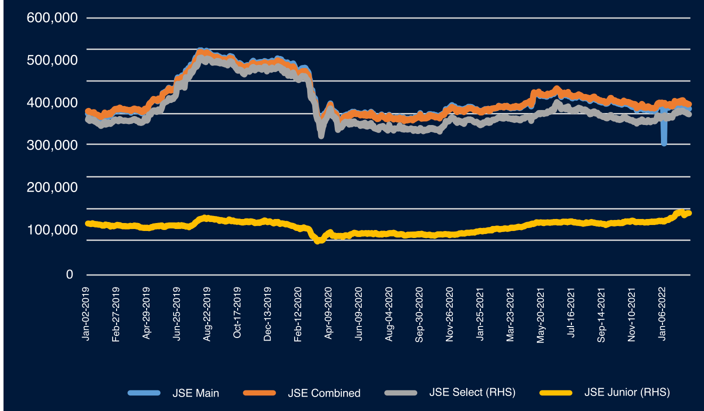
Furthermore, for financial markets, which were already rattled by concerns that a 40- year high inflation would trigger tighter monetary policy action by the US Federal Reserve, the conflict only presented new challenges.

Against this background, Wednesday's invasion only served to increase risk aversion and saw investors selling risky assets and market volatility rose. The early session on Thursday showed the S&P 500 declining more than 2.6% and the Nasdaq composite dropping to nearly 3.5%. U.S. Treasury yields declined and gold price rose to $179.50 representing a 0.68% increase as investors sought out safe-haven assets. The U.S. and other countries in NATO have engaged in a unified front by implementing sanctions to punish Russia, including export blocks on technology, freezing Russian assets in the EU, and the disconnection of several Russian banks from Swift which will sever the banks from the global financial network. If this geopolitical crisis persists, it could threaten both local and global post Covid-19 recovery, as the crisis adds to the existing pandemic and inflation challenges facing global financial markets and economies.

Russia-Ukraine War Could Weigh on Local Recovery

The conflict is likely to have adverse effects on the local economy through higher inflation and the likely monetary policy response to combat it. The country was already battling with high inflation,

WEEKLY MOVEMENT IN INDICES



MOVEMENT IN INDICES

JSE Indices	Closing Levels	Weekly Change	YTD % change
Combined Index	401,437.50	-2982.76	+0.1%
Main Market Index	391,193.26	-4020.52	-1.3%
Select Index	10,067.36	-126.89	+1.9%
Junior Market Index	3,963.43	+89.09	+15.6%

WINNERS & LOSERS (FOR THE WEEK ENDED FEB 7, 2022)

	$ Change	% Change
iCreate	+$0.12	+17.65%
FESCO	+$0.73	+17.02%
SSLVC	-$0.49	-26.92%
KLE	-$0.51	-18.96%

MARKET OVERVIEW

Last week, two JSE indices advanced, namely, the Junior Market Index and the USD Equities Index. However, the all Jamaican Composite Index, the Select index, the Main Index, the Combined Index, the Manufacturing & Distribution Index, the Cross Listed Index and the Financial Index all declined. Gains in the Junior Market was influenced by companies such as FESCO, which had 5.0Mn units and a a 17% price appreciation. There were also other companies on the Junior Market such as iCreate and Fontana which had a double digit week-over-week price appreciation. The main advancers were Icreate Ltd., which gained $0.12 (17.65%) to close at $0.80 and FESCO, which gained $0.73 (17.02%) to close at $5.02. The main decliners were SSL Venture Capital Jamaica Ltd., which declined by 0.49 (-26.92%) to close at $1.33 and K.L.E. Group Ltd., which declined by 0.51 (-18.96%) to close at $2.18 . Additionally, Initial Public Offering and Offer for Sale of 280,000,000 ordinary shares in the capital of Jamaica Fibreglass Products Ltd. (JFP) opened on Monday February 21, 2022 and closed on February 22, 2022. The offer was oversubscribed.

with inflation at a record 9.7% in the year to January 2022. The current crisis is likely to push oil and natural gas prices higher, drive up import costs including that for key commodities such as wheat and corn. Higher prices for these commodities are expected to translate very quickly into higher electricity and gas prices for both consumers and producers. Bread, chicken and other food prices will also rise given the higher prices for wheat and corn. There will also be second round effects on transportation and other costs. These price pressures are likely to cause the central bank to continue efforts to tighten monetary policy to bring inflation under control. However, higher interest rates will raise borrowing costs and likely delay some planned investments and weigh on consumer spending. Of note, concerns about aluminum supplies from Russia propelled prices to a record high of $3,449 a tonne - an increase of 21% so far this year - with the country being the world's sixth-largest producer. These higher prices should benefit Jamaica's alumina export. However, with two of Jamaica's major alumina refinery Jamalco and Alpart closed, the country is unlikely to see the full benefit of these higher prices. Consequently, the effects of the conflict could temper the pace of the recovery in the local economy, especially, if it proves prolonged.

Additionally, higher interest rates on new debt obligations and higher commodity prices will affect companies' overall profitability and equity value. Companies' earnings could also be impacted by even higher international commodity prices as a result of the Russian invasion. The increase in commodity prices is also likely to drive up costs for other imported goods. If companies are unable to pass on the increased costs to consumers, margins could shrink and earnings fall. The rising interest rate environment will also raise borrowing costs for companies as they issue bonds or acquire loans to carry out expansions or for working capital purposes. This would in turn affect a company's bottom-line. A higher discount rate as a result of the BOJ's ongoing interest rate hikes, could also weigh on the valuation of companies through a higher cost of equity. This is; however, balanced by the expected improvement in economic activity, which will support an increase in the demand for products and services.

It is too early to forecast exactly how the Russia-Ukraine crisis will evolve and what the impact will be on the global and local economy. However, over the short term, the sanctions being imposed against Russia could stifle exports and reduce supplies prompting higher commodities prices, further stoking inflation. The overall economic outlook for Jamaica had improved, with the country forecasted to grow by 4.3%[1] in 2022 driven by a recovery in tourism and a relaxation of COVID-related restrictions which will support an improvement in business activity. However, the geopolitical crisis will likely cloud the recovery prospects for Jamaica through higher than anticipated prices for key imported commodities and finished goods, the economic disruption from the fallout of the global economy and tighter monetary policy action from the BOJ. While investors can expect some market volatility, history has shown that geopolitical events seldom have a long term sustainable impact on the capital markets. While no one knows for sure how the current conflict will play out, the longer your investment horizon, the less you should worry about short-term events. Furthermore, investors with a well-diversified portfolio of stocks, high-quality bonds and other assets are better positioned to ride out the current market volatility.

If this geopolitical crisis persists, it could threaten both local and global post Covid-19 recovery, as the crisis adds to the existing pandemic and inflation challenges facing global financial markets and economies.

However, the geopolitical crisis will likely cloud the recovery prospects for Jamaica through higher than anticipated prices for key imported commodities and finished goods...

1 The World News

Global Bond Prices

The US 10-Year Treasury yield fell early in the week as investors flocked to safe haven assets; however, treasures yield ended the week up week over week, moving from 1.934% the to 1.967%. Investors piled into U.S. government debt on Thursday, pushing Treasury yields sharply lower after Russia invaded Ukraine in the biggest attack by one country against another in Europe since World War II. Following the invasion, the yield went as low as 1.846% as there was a flight to quality. Additionally, a closely watched part of the yield curve measuring the gap between yields on two- and 10-year Treasuries, seen as an indicator of economic expectations, was at 40.4 basis points, a tightening from 45bps. This indicates a steepening of the yield curve, implying that investors expect weaker or slower economic growth. However, as markets began to correct itself, with 10-year treasuries peaking at 2.01% and settled off at 1.967%. With that said, barring some major occurrence, it is expected that yields will continue to increase next week.

Bonds	Current Rating	Indicative Price	Yield	Recommendation
ALESA 2026 (7.75%)	BB-/ Stable	105.200	6.48%	BUY
NFE 2026 (6.50%)	BB-/ Stable	98.25	6.95%	BUY
GEOPAR 2027 (5.5%)	B+/ Stable	98.000	5.97%	BUY
NRG 2032 (3.88%)	BB+/ Stable	95.25	4.47%	BUY
PRIOBZ 2026 (6.13%)	BB-/ Stable	100.00	6.12%	BUY
SRF 2028 (5.3%)	BB-/ Stable	102.500	4.83%	BUY

GOJ Globals

Jaman bond prices decreased week over week, impacted by the increase in risk aversion in financial markets last week as Russia invade the Ukraine. The Jaman 28s, 39s, and 45s closed with bids of 110.75, 132.50 and 132.25, respectively. With the falloff in prices, there was a fair amount of trading among local brokers and ETFs. The falloff is in line with the anticipated lower demand of debt securities when rising inflation and rising interest rates erodes the value of coupon interest payments. The current conflict sparked by the invasion of Ukraine by Russia sent the price of oil and other commodities, such as wheat and corn, soaring on expectations that the conflict would impact the price of these commodities, putting additional pressures on inflation globally.

Ticker	Maturity	Bid	Offer Yield*
JAMAN	2028	110.25	4.63%
	2039	132.25	4.99%
	2045	132.25	5.3%

*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	2026	7.00%	105.00	5.54%
JBG	2028	6.75%	104.20	5.89%
Seprod	2024	7.25%	103.55	5.78%

Foreign Exchange Market

The Jamaican dollar appreciated by 0.59% relative to the USD, week over week, with the USD selling rate moving from J$156.79 on February 18, 2022, to J$155.87 on February 25, 2022. This appreciation was due to increased USD liquidity in the market resulting from the BOJ's offer of USD$140Mn in the previous week. In the most recent policy rate decision by the BOJ, the bank announced that it would pursue stronger measures to contain Jamaican dollar liquidity expansion and to maintain stability in the foreign exchange market.

Selling	Close: 18/02/22	Close: 25/02/22	Change
J$/US$1	$156.79	$155.87	+$0.92
J$/CDN$1	$122.48	$122.54	-$0.06
J$/GBP£1	$211.99	$212.04	+$0.05

Dates to watch this week

February-March 2022

MON	TUE	WED	THUR	FRI
28	1	2	3	4
U.S. Goods Trade Balance (Jan)	Canada GDP (YoY) (Q4)	U.S. OPEC Meeting		United States Unemployment Rate (Feb)
	Wisynco Dividend Payment	Great Britain Annual Budget Release		Tropical Battery Annual / Extra-Ordinary General Meeting
		Canada BoC Interest Rate Decision		

International Local

Money Market

Money market conditions remained tight last week as the market continues to be impacted by the concentration of available liquidity among deposit taking institutions and ongoing monetary policy tightening by the BOJ. With the new policy rate of 4.00% in play, the BOJ also increased the coupon on its 30-day CD from 3.00% to 4.50%. The average yield from the Bank of Jamaica's (BOJ) competitive auction on its 30-days CD increased to 5.29% relative to 4.08% in the prior week. The highest bid for full allocation was 6.24%. A total of J$15.5B was offered in the auction, while the total bids received were J$22.02B. The CD offer of J$15.5B represented an outflow of liquidity from the market supporting the BOJ strategy of tightening liquidity. Market players were mostly lending overnight, with some brokers offering as high as 4.75% – 5.50%.

With the inflation rate surging to 9.70% in January from 7.30% in December, the BOJ will continue to pursue strong measures to contain Jamaican dollar liquidity expansion and maintain stability in the foreign exchange market. Therefore, as a means to continue sterilizing the market to contract JMD liquidity, we anticipate further GOJ's auctions and/or B-FXITT actions in the coming weeks. This is to assist with guiding inflation back within the target range of 4.00% - 6.00%. Consequently, money market conditions are not expected to improve in the near term.

The USD money market is expected to remain stable despite changes in market activity affecting liquidity. We anticipate USD liquidity to be moderately stable in upcoming months as whilst tourism inflows are unlikely to offset demand, strong remittance growth continue to support USD liquidity. Additionally, the BOJ's attempts to sterilize JMD liquidity through its B-FXITT auctions has led to increased US liquidity in the market. The BOJ is likely to continue to push USD liquidity to the market in an effort to bring inflation back in line. Broker market demand for USD remains at 30-days and longer-tenured funds, with some brokers offering as high as 4.75% to clients.

Stock Recommendations

Ticker	Last Closing Price	Current Recommendation
MAILPAC	$2.95	BUY
WISYNCO	$19.50	HOLD
FTNA	$11.46	HOLD
JBG	$28.45	HOLD
JMMBGL	$42.96	BUY
LASF	$3.35	SELL
AFS	$20.33	SELL
JAMT	$3.63	BUY
JSE	$17.02	HOLD
PROVEN (JMD)	$35.34	BUY
PROVEN (USD)	$0.23	BUY
SCIJMD	$15.17	BUY
LAB	$3.65	HOLD
SJ	$54.0	HOLD
SEP	$59.64	HOLD
SGJ	$34.61	HOLD
QWI	$1.03	HOLD
GK	$103.51	BUY
CCC	$75.87	HOLD
KEX	$6.94	HOLD

Regional News

Guyana Ranked 10th Most Competitive Oil & Gas Jurisdiction In The World (Caribbean News Global)

Among the oil and gas jurisdictions in the world, Guyana has performed well in its management of the industry and it is ranked 10th ahead of Brazil and Argentina for competitiveness in exploration and production by internationally respected business intelligence firm, IHS Markit. Guyana continues to send a positive message to companies around the world that the country has a trustworthy investment climate that will bring attractive investment and partners into other sectors. Notably, IHS Markit indicated that the main challenge for Guyana is managing the flow of money to the country to prevent overheating and distortions of the economy.

However, Guyana's Vice President Dr. Bharrat Jagdeo has said that while overheating is a fair concern, the Government is keeping careful watch. This caution will be especially pertinent as Guyana's revenues balloon. With current production, Guyana is already expecting almost US$1Bn this year. Guyana continues to position itself as a key producer in the oil and gas industry, with the capacity to cushion some of the supply shortfalls on the global market. As such the industry will continue to contribute to the country's revenue, investment opportunities, and economic growth.

Urgent Oil Drilling Mission To Help Cushion Economic Blow From Escalating Russia-Ukraine Conflict (Barbados Today)

A team of oil and gas specialists have been summoned from the Republic of Trinidad and Tobago to assist Barbados with an urgent oil drilling mission, as the country looks long-term at cushioning any likely economic blow from the escalating conflict between Russia and Ukraine. Minister of Energy, Small Business and Entrepreneurship Kerrie Symmonds urged citizens to brace for the possible impact, revealing that the most recent developments have made feared gas price increases "almost inevitable".

Symmonds disclosed that a supply analysis conducted by the Barbados National Oil Company (BNOC) revealed that only 30% of the gas consumed here is locally produced with the remaining 70% imported. The minister urged citizens to conserve energy as the country continues to monitor the events happening in Ukraine and Russia. The Russia-Ukraine conflict is likely to lead to a global economic blowout. Russia is the second-largest oil exporter, and its decision to invade Ukraine will have substantial implications on oil prices and the global economy.

Latin America Reform Tracker: Outlook Remains Unfavourable Despite Modest Upwards Revisions (Fitch Solutions)

Fitch Solutions maintains the view that Latin American governments will largely be unable to enact market-friendly policy reforms in the coming quarters, especially as Brazil and Colombia hold presidential and legislative elections in 2022 and leftist, populist presidents in Mexico and Peru likely attempt to weaken previous reforms.Notably, reform efforts throughout Latin America were significantly disrupted due to a series of substantial public protests in Chile, Colombia, and Ecuador in Q4 2019, followed by the economic and public health shock of the COVID-19 pandemic. However, while most of the region's governments shifted to expansionary fiscal policies to mitigate the economic strains from the pandemic by supporting household incomes, rising food and fuel prices have prompted governments to increase subsidies or intervene in the market in other ways. This has further undermined the post-pandemic return to fiscal consolidation and underscored the less favourable outlook for reform.

The region's average Q1 2022 score of 3.6 out of 10 in Fitch's Reform Tracker is higher than last quarter's score of 3.4, but remains below the score of 4.1 in Q1 2021, as public opposition will continue to impede large-scale reforms preferred by investors. Fitch's reform tracker measures reform momentum on a scale from 0 to 10. While the economy of the region is expected to improve in 2022, political and economic issues are expected to hinder the enactment of reforms, thereby complicating the recovery process. These hindrances include a series of protests, upcoming elections and the effect of the ongoing COVID-19 pandemic.

International News

Oil tops $105/bbl after Russia attacks Ukraine (Reuters)

Oil prices jumped on Thursday, with Brent rising above $105 a barrel for the first time since 2014 before easing, after Russia's attack on Ukraine exacerbated concerns about disruptions to global energy supply. Russia launched an all-out invasion of Ukraine by land, air and sea in the biggest attack by one state against another in Europe since World War Two.

U.S. President Joe Biden unveiled harsh new sanctions against Russia, imposing measures to impede its ability to do business in the world's major currencies along with sanctions against banks and state-owned enterprises. Britain announced new measures targeting banks, members of Putin's inner circle and the very wealthy who enjoy high-rolling London lifestyles. UK Prime Minister Boris Johnson said that the West must end its reliance on Russian oil and gas.

Global benchmark Brent crude rose $2.24, or 2.3%, to settle at $99.08 a barrel, after touching a high of $105.79. U.S. West Texas Intermediate (WTI) crude rose 71 cents, or 0.8%, to settle at $92.81 a barrel, after earlier rising to $100.54. Brent and WTI hit their highest levels since August and July 2014, respectively.

U.S. Consumer Sentiment Falls to Fresh Decade Low on Inflation (Bloomberg)

U.S. consumer confidence fell to a five-month low in February, with fewer consumers planning to purchase homes, automobiles and go on vacation over the next six months amid concerns about the short-term economic outlook. The survey from the Conference Board on Tuesday also showed consumers' inflation expectations rising after moderating for two straight months. But with the labour market rapidly churning out jobs and COVID-19 cases subsiding, the second straight monthly decline in confidence and drop in buying intentions likely do not signal a major slowdown in consumer spending.

Retail sales surged in January even as confidence ebbed. Consumers accumulated more than $2.0Tn in excess savings during the pandemic, which should help to underpin spending. The Conference Board said its consumer confidence index dipped to a reading of 110.5 this month, from 111.1 in January. This is the lowest since last September 2021 and the index remains above its pandemic lows.

The survey's measure of current conditions improved, likely because of declining coronavirus infections that were driven by the Omicron variant. Its gauge of expectations for growth in the short term fell to a five-month low, suggesting a cooling in growth in the first half of the year. But the slowdown will probably be modest, with business activity regaining speed in February as the drag from the Omicron surge diminishes.

Jeremy Barnes, the company's managing director during a Mayberry Investors Forum held last week noted that the company envisions that within the next 15-18 months, they will be at 20 or 22 stations from current amount of 16, noting that there is a lot of geographic space in Jamaica which avails a lot of opportunity to grow.

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.