

Market Guide

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“An investment in
knowledge pays
the best interest.”

- Benjamin Franklin

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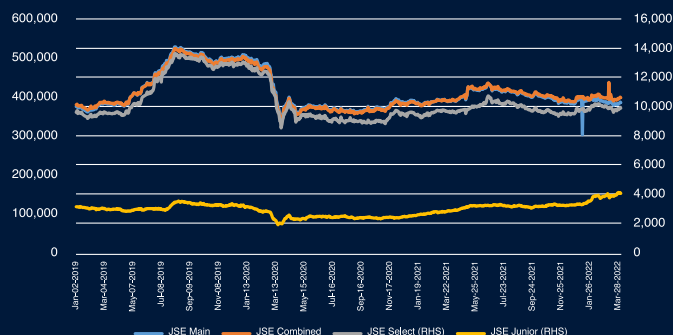
Update: Tourism Poised for Comeback

Tourism is shaping up to be a major contributor to economic growth in Jamaica in 2022, supported by investments, and higher cruise and stopover arrivals. For the fourth quarter of 2021, GDP grew by 6.7% year over year (STATIN). The tourism industry was a major contributor to the performance as output from the 'Hotels & Restaurants' industry grew by 79.5%, from its 2020 lows, reflecting its third consecutive quarterly growth. The sector expanded by 334.6% and 114.6% in Q2 and Q3 of 2021 respectively. While total visitor arrivals are yet to recover to 2019 levels (-64%), it gained momentum in 2021 (+15%) relative to 2020 (refer to Figure 1). In 2020, tourism contracted sharply due to the COVID-19 pandemic (-68% falloff in total visitors). In late 2021 cruise travel resumed as vaccination rates rose and stopover visitors began to travel to our shores in larger numbers. Against this background, 2022 is shaping up to be an even better year. While leisure travel is expected to recover faster than business travel, overall stopover visitors should rise above 2021 numbers¹. The Centre for Disease Control and

Prevention (CDC) has also aided this outlook by removing its risk advisories on cruises. Furthermore, increased cruise passengers and stopover arrivals coupled with planned investments in the sector, position tourism for a better 2022.

The CDC's recent removal of COVID-19 risk advisory/health warnings for cruise travel should bolster arrivals in 2022. On August 16th 2021, Jamaica welcomed cruise visitors to its shores after a long hiatus, which started in April 2020 due to the outbreak of COVID-19. The health risk advisories issued by the CDC would have depressed the overall rebound in cruise arrivals to Jamaica, particularly in the busy winter-tourist season. However, for the first time since the pandemic began, the CDC has now dropped cruise voyages from its list of coronavirus travel health notices on March 30, 2022, the latest barrier to fall for an industry seeking a semblance of the pre-pandemic norm². The CDC's decision to remove the travel health notices for cruise travel was based on the current state of the pandemic and overall decreases in COVID-19 cases onboard cruise ships over the past several weeks. With

WEEKLY MOVEMENT IN INDICES



MOVEMENT IN INDICES

JSE Indices	Closing Levels	Weekly Change	YTD % change
Combined Index	402,082.92	+ 3,109.16	0.2%
Main Market Index	389,773.53	+3,509.57	-1.6%
Select Index	10,018.54	+69.66	+1.4%
Junior Market Index	4,185.90	-19.88	+22.1%

WINNERS & LOSERS (FOR THE WEEK ENDED APR 1, 2022)

	\$ Change	% Change
MTL	+\$3.64	+16.6%
PJX	+\$1.09	+12.2%
DCOVE	-\$6.66	-24.7%
MEEG	-\$1.29	-15.4%

MARKET OVERVIEW

Last week, six indices, including the Main Market index advanced, while the Junior Market, USD Equities and Cross Listed Indices, declined. The prices of 58 stocks rose relative to a decline in 47 stocks. The Manufacturing & Distribution Index outperformed all other indices last week, appreciating by 1.8% week over week, relative to the 0.9% growth in the Main Market. The Manufacturing & Distribution segment is up 9.4% since the start of the year, while the Main Market index is down 1.6%. This reflects the continued positive sentiments towards the sector given its generally favourable performance throughout the pandemic, and expectations for improvements in earnings from a now fully reopened economy. Many companies in the sector have been able to sustain their profitability despite the increase in input costs stemming from commodity price shocks and rising inflation aided by investments in improving efficiency, cost containment and recovering domestic and export demand.

¹ Global business travel spending anticipated to reach two-thirds of 2019 figures by end 2022 - World Travel and Tourism Council - 2021

² Cruise lines still require passengers to be vaccinated and test negative before boarding.

the removal of the warnings for cruise ships, we anticipate that cruise passenger arrivals will increase in the coming months not only because the warnings have been lifted but because of the downward trend in COVID numbers globally coupled with the increase in vaccinations (58% and 6.5% of the global population have been fully and partially vaccinated, respectively). Donovan White, Director of Tourism noted that by the end of 2022, Jamaica's visitor numbers are forecasted to total about 4.1Mn, with cruise passengers accounting for 1.6Mn and stopover arrivals accounting for the remaining 2.5Mn³.

Cruise is not the only area of tourism that is poised for improvement. Stopover arrivals will benefit from new flights from several carriers and increased flights from existing ones. Pent up demand for travel and the ongoing conflict in Europe are two strong elements that may have factored into carriers' increasing their services to the region. Both of these factors have the potential to influence vacationers to choose the Caribbean as a destination. Frontier Airlines has been rapidly expanding its Caribbean network

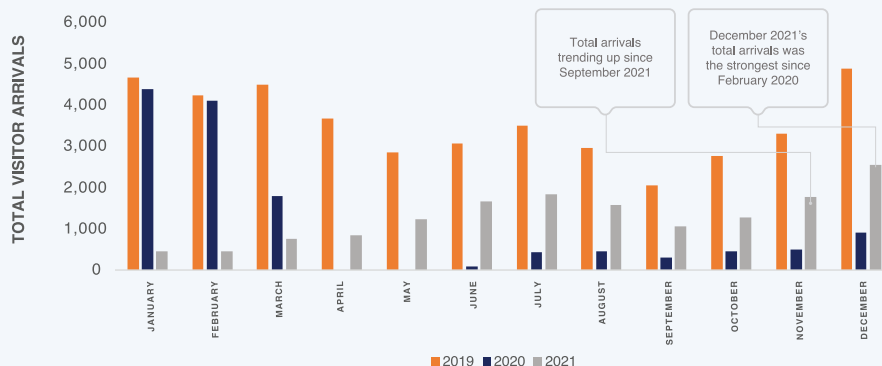
amid the pandemic and is now adding Jamaica to its list of destinations. The low-cost carrier will start new nonstop flights from Miami to Kingston, starting on May 5, 2022, marking the company's first-ever flights to Jamaica's capital. In November 2021, the third-largest European point-to-point carrier, Eurowings, made its inaugural flight from Frankfurt, Germany, to Montego Bay, while various Canadian airlines added a total of fifty (50) direct flights a week from cities in Canada to Jamaica. Meanwhile, the seventh-largest airline in North America, JetBlue Airways, is set to ramp up its number of daily flights to Jamaica. In what is being hailed as a huge boost to Jamaica's tourism industry, JetBlue will, by June 2022, operate up to nine daily non-stop flights into Jamaica from New York⁴.

In addition to new flights coming into the island, Jamaica is experiencing the largest hotel development boom in any one year⁵; however, the tourism industry is now faced with a new challenge, a shortage of workers. Tourism Minister, Hon. Edmund Bartlett has revealed that Jamaica has an additional 8,000 hotel rooms in the pipeline

at various stages of development and planning, the majority being led by European investors. A total of US\$2Bn will be invested to bring the 8,000 rooms on stream, resulting in at least 24,000 part-time and full-time jobs and at least 12,000 jobs for construction workers⁶. However, faced with a shortage of trained workers and a boom expected in the local hospitality industry over the next three years, the tourism ministry is offering free certification courses as it pulls out all the stops to find a solution. The planned investment growth in tourism is also expected to have spillover effects to sectors including agriculture, entertainment and culture, and construction.

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Figure 1: Tourism Numbers Point to Improving Recovery, Heightened Expectations for 2022 ('000)



Sources: Jamaica Tourist Board and NCBCM Research

³ Travel Weekly- November 2021

⁴ The development contrasts with JetBlue's recent decision to cut a dozen-and-a-half routes primarily across the Caribbean and Latin America, including Barbados, Puerto Rico, Haiti, Mexico, and the US Virgin Islands.

⁵ Ministry of Tourism – January 2022

⁶ Properties currently under construction include: 2,000-room Princess Resort (Hanover), 2,000 for Hard Rock Resort development, about 1,000 room for Sandals and Beaches in St. Ann. Viva Wyndham Resort to have 1000 rooms, 700 rooms for RIU Hotel in Trelawny, and Secrets Resort with 700 rooms in St. Ann. Bahia Principe has also announced expansion plans, by its owners, Grupo PíOero, out of SpainBahia Spain

The development plans bode well for unemployment, investments and growth in the sector over the coming quarters; however, risks to the recovery persist. These include rising fuel costs, which will increase the cost of travel and higher inflation in many source markets. However, the higher inflation has been thus far mitigated by rising wages and record low unemployment, with many job opportunities in source markets such as the US. Nevertheless, the removal of the CDC warning on cruise ships, new/increased flights from various destinations and the conflict in Europe augurs well for the sector. Moreover, the current hotel development boost positions Jamaica to take the tourism product to higher heights in the years to come.

Global Bond Prices

Following an increase in the US 10-Year Treasury yield to 2.481% after the Fed raised its benchmark rate on March 16, 2022, the yield has fallen slightly to 2.39%. Rising inflation, exacerbated by the Russia-Ukraine war, has led to concerns that this could weigh on economic growth, which contributed to the decline in the yield. Further, a key part of the Treasury yield curve inverted on Friday, stoking fears that a recession could be in the cards, even after jobs data indicated that the unemployment rate declined to 3.6%, causing short-term rates to jump. An inversion of the two-year to 10-year (spread) part of the curve is viewed by many as a reliable signal that a recession is likely to follow in one to two years. The data showed a strong economy for now, but investors are worried that it will also give the green light to the Federal Reserve to follow through on its aggressive plan to hike rates at every meeting this year, which could eventually slow the economy.

In alignment with expectations, Fed Chairman, Jerome Powell indicated that the Committee may take a more aggressive approach to curb inflation. With price pressures so high, the Fed has indicated that it is willing to raise rates at a faster pace and in half-percentage-point steps, to rein in inflation, despite the possibility of derailing economic recovery. It was made abundantly clear that the Fed's priority is the restoration of price stability, regardless of the consequences, including a possible recession. In fact, Fed funds futures traders expect the Fed's benchmark rate to rise to 2.61% by February 2023, up from 0.25%-0.5% currently. This resulted in a risk-off market sentiment. The market is expected to remain volatile driven by the ongoing Russia-Ukraine crisis and the continued development of interest rates and inflationary themes.

Bonds	Current Rating	Indicative Price	Yield	Recommendation
ALESA 2026 (7.75%)	BB-/ Stable	105.250	6.43%	BUY
PETRO-RIO 2026 (6.13%)	BB-/ Stable	100.000	6.12%	BUY
GEOPAR 2027 (5.5%)	B+/ Stable	97.000	6.23%	BUY
NRG 2032 (3.88%)	BB+/ Stable	89.500	5.25%	BUY
NFE 2026 (6.50%)	BB-/ Stable	100.750	6.31%	BUY
Sagicor 2028 (5.30%)	BB-/ Stable	102.50	4.82%	BUY
Dom Rep 2033 (6.00%)	BB-/ Stable	96.500	6.45%	BUY

GOJ Globals

Jaman bond prices increased week over week by 1 to 3.5 points, and closed the week with bids of 110.50, 131.00 and 130.5, for the Jaman 28s, 39s, and 45s, respectively.

Ticker	Maturity	Bid	Offer Yield*
JAMAN	2028	110.50	4.74%
	2039	131	5.22%
	2045	130.5	5.53%

*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
GHL	2026	7.00%	105.00	6.47%
JBG	2028	6.75%	104.20	5.95%
Seprod	2024	7.25%	103.55	5.70%

Foreign Exchange Market

The Jamaican dollar appreciated by 0.02% relative to the USD, week over week, with the USD moving from a weighted average selling rate of J\$ 154.0787 on March 25, 2022, to J\$ 154.0504 on April 1, 2022. This slight appreciation is due to BOJ's FX intervention with sales of USD\$50Mn to the market on Wednesday and Thursday of last week, which helped to satisfy FX demand.

Selling	Close: 25/03/22	Close: 01/04/22	Change
J\$/US\$1	\$ 154.08	\$ 154.05	-\$0.03
J\$/CDN\$1	\$122.17	\$123.67	+\$1.50
J\$/GBP£1	\$202.15	\$202.03	-\$0.12

Money Market

Owing to the high inflation outturn for the 12 months to February 2022 (10.70%, 100bps above the prior rate of 9.70%), elevated inflation expectations, and sustained uncertainty around the Russia-Ukraine conflict which is driving higher commodity prices, the BOJ made a decision on March 29 to increase the policy rate by 50bps. This was the fifth consecutive rate hike in keeping with its policy objective to bring inflation back within target. Additionally, the BOJ has intervened in the FX market, selling US\$50M and extracting JM\$7.6Bn, further contracting JMD liquidity. This along with the closure of the GOJ Fiscal year end - March 31, 2022, is expected to contribute positively

to the FX rate as entities purchase JMD to pay end of month taxes.

As the JMD liquidity tightens, this will continue to drive high levels of competition for cash by market players, such as DTIs, in order to maintain sufficient liquidity (cash) and their liquid asset ratios. Therefore, rates are anticipated to remain elevated. As at 31st March, a total of J\$15.8B is in the market, a decline of J\$31.42Bn from the end of February. The reduction in the balances was mainly due to tax payments and the US\$50M FX intervention held by BOJ last week. Market players were mostly square this week. There was very limited overnight lending and rates were as high as 5.75% – 6.50%. The average yield from the BOJ's competitive auction also remains elevated with the yield on its 30-days CD increasing to 7.19% relative to 6.41% in the prior week. The highest bid for full allocation was 8.15%.

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 should continue to support USD liquidity. Additionally, the BOJ's attempts to sterilise JMD liquidity through its B-FXITT auctions have led to it selling approximately US\$375.675Mn to the market thus far in 2022, inclusive of the US\$50Mn sold between Wednesday and Thursday of last week. They will likely 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 5.00% to clients.

Dates to watch this week

April 2022				
MON	TUE	WED	THUR	FRI
4	5	6	7	8
Eurozone Producer Price Index (PPI) YoY (Apr)	SCI Dividend Payment (US\$0.00262)	U.S. Federal Open Market Committee (FOMC) Meeting Minutes		Canada Unemployment Rate Create Alert (Mar)
				Mailpac Dividend Payment (\$0.09)
				Grace Kennedy Ltd. Dividend Payment (\$0.48)

■ International ■ Local

Stock Recommendations

Ticker	Closing Price (April 1)	Current Recommendation
MAILPAC	\$3.27	BUY
FTNA	\$9.92	HOLD
JBG	\$28.98	HOLD
JMMBGL	\$45.04	HOLD
MASSY	\$100.98	BUY
JAMT	\$3.49	BUY
JSE	\$18.53	HOLD
PROVEN (JMD)	\$35.91	BUY
PROVEN (USD)	\$0.24	BUY
SCIJMD	\$14.88	BUY
LAB	\$3.28	HOLD
SJ	\$56.78	HOLD
SEP	\$57.54	BUY
QWI	\$0.92	HOLD
GK	\$103.67	BUY
CCC	\$74.04	HOLD
KEX	\$8.00	HOLD

Regional News

National Gas Company Signs Gas Contract With Trinidad Cement Ltd (CariCris)

The National Gas Company (NGC) has signed a gas sales contract (GSC) with local manufacturer Trinidad Cement Ltd (TCL). The agreement will govern the sale of natural gas to TCL and represents an important step forward for both companies after an extended period of negotiations.

Both NGC and TCL recognised that the outcome would serve the commercial interests of all stakeholders, including the generation of foreign exchange and other economic benefits that will accrue to Trinidad and Tobago.

Notably, NGC's president Mark Loquan said the current upheavals in global supply chains underscore the importance of building local industrial capacity to meet internal market demands. Therefore, the team at NGC is intent on securing the future of our downstream sector, through agreements such as this GSC with one of the company's nation's local manufacturers.

It noted that TCL has been a customer of NGC for over 40 years, making it one of the wholly State-

owned company's longest-standing commercial partners. This GSC signals NGC's commitment to the local manufacturing sector, which bodes well for infrastructural development in Trinidad and Tobago and the region.

High Oil Prices May Force Government Roads 'Scale Back' (The Tribune)

The Bahamian Contractors Association's (BCA) interim president Leonard Sands, on Tuesday, explained that high oil and construction material prices may force the Government to "scale back" on its capital works budget for this (July 1 2021- June 30, 2022) and the upcoming fiscal year.

Road construction, in particular, could be impacted by oil price volatility given that oil is a key component in products such as asphalt and other materials. Consequently, Sands believes the government may have to "revisit" the \$20.831Mn allocated to such works for the year to end June 2022 to determine what the increase in the oil price means for the construction of roads. The BCA Chief explains that the contractor will either have to pass the costs on to the Government or give less production. The latter could be solved by increasing the budget allocated to road work; however, the country is currently seeking to pay down debt and reduce the deficit. As such, the most likely outcome is a reduction in capital expenditure.

Notably, if the oil price increases further, and that of construction materials, it is highly likely that the Government will scale back on capital expenditure. This will have an impact on GDP, revenues circulating within the economy, taxes, and subsequently the debt stock and fiscal deficit. The increase in oil prices - worsened by Russia's invasion of Ukraine - is certainly ill-timed with works already underway to improve the condition of several roads in the country.

Although global oil prices currently appear to have stabilized, having come down from recent peaks, supply chain backlogs and delays still exist. As such, Sands anticipates that construction material costs could increase by a further 20% given that higher oil prices and associated volatility feed directly into their production processes.

Growth In Barbados Will Accelerate In 2022 As Tourism Rebounds (Fitch Solutions & NCBCM Research)

Barbados' real GDP growth is expected to accelerate from 1.7% in 2021 to 7.5% in 2022 as the effects of the COVID-19 pandemic diminish. Following a slower than expected rebound in international tourism in 2021, over the coming months, Fitch expects that growing demand for international tourism and rising vaccination rates in source markets will provide

tailwinds to growth.

However, rising oil prices caused by the Russia-Ukraine conflict will keep energy and commodity prices elevated in both Barbados and key tourism source markets, weakening purchasing power, possibly resulting in elevated ticket prices and undercutting growth.

In accordance with Barbados' debt reduction programme, it is expected that expenditure growth will slow to 4.2% in FY2021/2022, from 15.1% in FY2020/2021. Over the coming years, the government is expected to further tighten fiscal policy as pandemic-era spending is removed. After government debt exceeded 160.0% of GDP in 2018, Barbados entered into a four-year Extended Fund Facility with the IMF. While the guidelines of the programme were temporarily suspended to account for Covid-19-related spending, the government will return to prioritising fiscal consolidation in 2022, inhibiting growth.

In addition, investment has remained muted in recent years. The rapid rise in government debt weakened Barbados' attractiveness for investment. Foreign direct investment increased by just 2.6% y-o-y in H1 2021, from an estimated 22.0% increase in 2020. Over the coming months, however, we expect that the recovery in the tourism industry will boost investment sentiment only modestly, hindering overall growth.

Risks to the Agency's growth forecast are weighted to the downside, if inflation should continue to rise above analysts' expectations in Barbados' key source markets, such as the US (6.1%) or UK (6.2%), then demand for international travel would weaken, hindering growth. Additionally, rising COVID-19 case levels in either Barbados or source markets may disincentivise traveling abroad, further delaying a full recovery of the tourism sector

International News

Tightening U.S. labor market underpins consumer confidence despite soaring inflation (Reuters)

U.S. consumer confidence rebounded from a one-year low in March amid growing labor market optimism, but rising interest rates as the Federal Reserve battles raging inflation could hurt motor vehicle purchases and crimp consumer spending.

The labor market continues to favor workers, with other data on Tuesday showing job openings hovering near record highs in February. Tightening labor market conditions are boosting wages, providing some cushion against inflation. Consumers' one-year inflation expectations shot up to an all-time high of 7.9%.

The Conference Board said its consumer confidence index rose to a reading of 107.2 this month from a downwardly revised 105.7 in February. Economists polled by Reuters had forecast the index falling to 107.0 from February's initially reported 110.5.

The improvement in confidence followed the rolling back of COVID-19 restrictions across the country, and was despite gasoline prices remaining above \$4.00 per gallon as Russia's war against Ukraine rages on.

Consumers' upbeat views of the labor market were underscored by the Labor Department's Job Openings and Labor Turnover Survey, or JOLTS report showing job openings, a measure of labor demand, fell 17,000 to 11.266Mn on the last day of February. Despite the second straight monthly decline, job openings were not too far from a record high of 11.448Mn set in December.

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