CAPITAL MARKETS
LIMITED

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Market Guide

THIS ISSUE

"People who succeed in the stock market also accept periodic losses, setbacks and unexpected occurrences. Calamitous drops do not scare them out of the game."

- Peter Lynch

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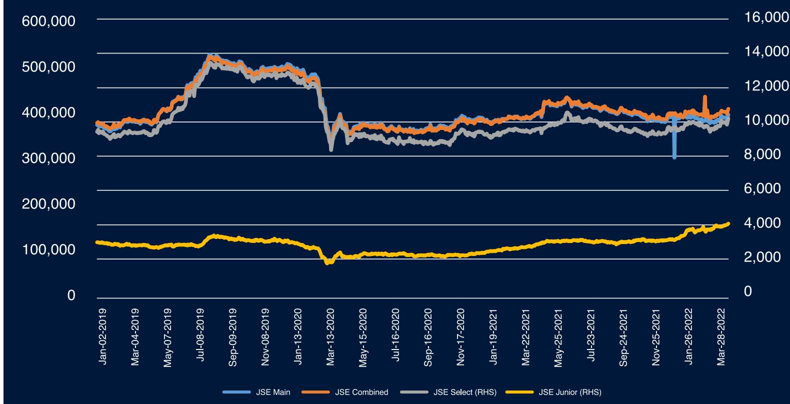
Inflation Continues to Rise on Global Commodity Price Pressure

As the world emerges from the pandemic, inflation has become a global problem, with many countries experiencing a significant increase in prices due to strong consumer demand, supply chain challenges, and the Russia-Ukraine conflict. These factors have triggered sharp increases in energy and food costs. The pandemic and the subsequent reopening have caused an unprecedented and disruptive economic shutdown/reopen cycle, which has resulted in an imbalance in demand and supply for key goods. Furthermore, there continues to be intermittent factory closures, with the most recent being in Shanghai given a re-implementation of restrictions to control a COVID-19 outbreak. These shutdowns continue to upset global supply chains and exacerbate the imbalance just as consumer demand is strengthening. Furthermore, the war in Ukraine is also adding to inflationary pressures. The invasion has pushed oil and natural gas prices higher, along with the costs for key commodities such as wheat and corn. Higher prices for these commodities have translated quickly into higher electricity, gas, transportation, bread, chicken, and other food prices for consumers. As a result, U.S. inflation surged to a new four-decade high of 8.5% in March 2022, while the UK's rate rose to 7% - the highest it has been for 30 years.

The Jamaican economy is also grappling with the effects of higher consumer prices. The inflation rate has surpassed the Bank of Jamaica's target range for 8 consecutive months and ended March at 11.3%, the highest since September 2013, and the largest point-to-point change since the implementation of the new Consumer Price Index (CPI) basket in April 2020[1]. In line with higher food and energy prices globally, inflation has been driven by increases in three key subdivisions 'Food and Non-Alcoholic Beverages', 'Housing, Water, Electricity, Gas and Other Fuels' and 'Transport' (See Figure 1). In March 2022 these major CPI Divisions recorded their highest increases in point to point changes since April 2020. The point to point change in inflation for the 'Food and Non-Alcoholic Beverages' division increased significantly since June 2021 and ended March 2022 at 14.7%. This was due to a

1 The Consumer Price Index which tracks a number of goods and services referred to as the inflation basket now includes items such as hair weave, narcotics, highway toll, parties and tech gadgets.

WEEKLY MOVEMENT IN INDICES



MOVEMENT IN INDICES

JSE Indices	Closing Levels	Weekly Change	YTD % change
Combined Index	414,921.64	+7,827.91	+3.4%
Main Market Index	401,741.38	+7,254.53	+1.4%
Select Index	10,497.49	+268.72	+6.2%
Junior Market Index	4,369.94	+116.68	+27.5%

WINNERS & LOSERS (FOR THE WEEK ENDED APR 22, 2022)

	$ Change	% Change
iCreate	+$1.81	+146.0%
SVL	+$8.00	+32.3%
SSLVC	-$0.21	-11.4%
EDUFOCAL	-$0.39	-10.3%

MARKET OVERVIEW

Last week, all the JSE indices advanced. The prices of 55 stocks rose relative to a decline in 48 stocks driving the increase in the indices. The Junior Market continues to outperform the other indices, appreciating by 2.7% week over week (WoW), relative to the 1.8% growth for the Main Market. The Junior Market is up 27.5% year to date, while the Main Market index has appreciated 1.4%. This reflects the continued improvement of investor sentiments around Junior Market companies in the manufacturing and distribution as well as hospitality and tourism sectors as profits are expected to improve from a now fully reopened economy.

The main advancer last week, Icreate, contributed to the Week over week growth in the Junior Market. This could be a reflection of the recent announcement of its acquisition of a majority stake in e-commerce company, Get Paid Ltd. The main market growth was supported by the movement in SVL's price, as the company reported a 68.3% growth in net profit attributable to shareholders for the first quarter ended March 31, 2022. SVL's earnings were driven by topline growth of 18.7%, driven by several factors, including the successful re-introduction of the popular Instants "Scratchaz" game.

rise in the prices for meat (18.3%), vegetables (23.6%), fruits & nuts (16.9%), and oil & fat (15.2%). Although the point to point change in inflation for the 'Housing, Water, Electricity, Gas and Other Fuels' division ended March 2022 slightly lower at 9.7%, relative to a month prior at 10.4%, it is higher than March 2021 (7.4%). Increases in electricity, gas and other fuels, at a 20.9% point to point increase, was also a significant driver of higher consumer prices. Against this background, transportation costs have been steadily rising, recording the biggest spike in September 2021 following the announcement of a 15% increase in bus and taxi fares in August and has remained elevated since then. Domestic inflation is being fueled by adverse weather conditions, supply shortages, higher domestic demand and the increase in global shipping, fertilizer and food and energy prices. Although shipping prices have fallen, they are still markedly higher than pre-pandemic levels[1]. These factors are helping to keep consumer prices elevated.

Importantly, the ongoing Russian Ukraine conflict is not only a threat to inflation locally and globally, but is also raising food security risks, especially for developing countries. The Russian Federation and Ukraine, combined, accounted for around 30% and 20% of global wheat and maize exports, respectively, over the past three years. Consequently, the invasion was a major supply shock to the markets for staple grains and vegetable oils[2]. About 400 million people are dependent on Russia and Ukraine for food and a crucial portion of the world's wheat, corn and barley is trapped in both countries because of the war, while an even larger portion of the world's fertilizers is stuck in Russia and Belarus[3]. Further, half of Ukraine's harvest this year, which is crucial to global food supplies, could be lost because of intense fighting, destruction and/or inaccessibility of its most fertile farmlands in the south[4]. Additionally, with many farmers joining the army, farms are scrambling to find manpower. Consequently, geopolitical tensions will likely fuel further commodity price increases and threaten global food security, which poses risks to both global and domestic growth and production. The Food and Agriculture Organization of the United Nations (FAO) Food Price Index[5] averaged 159.3 points in March, up 34% year over year. Additionally, OPEC now expects global oil demand to average 100.5 million barrel/day in 2022, a year-on-year growth of 3.67 million barrels, but it is below February's 4.15 million b/d growth forecast for 2022. This revision comes on the back of lower global economic growth, the lockdown in Shanghai, and the war in Ukraine which caused OPEC to drastically write down supply expectations from Russia by 531,000 b/d due to the sanctions levied against it[6]. In an effort to meet global need, OPEC is increasing production by about 400,000 b/d each month, and the United States, Japan and other members of the International Energy Agency are releasing strategic reserves to combat high energy prices[7]. Despite this, WTI Crude oil prices are expected to settle at $97.96 per barrel in 2022, higher than the $68.21/b in 2021.

We anticipate further price

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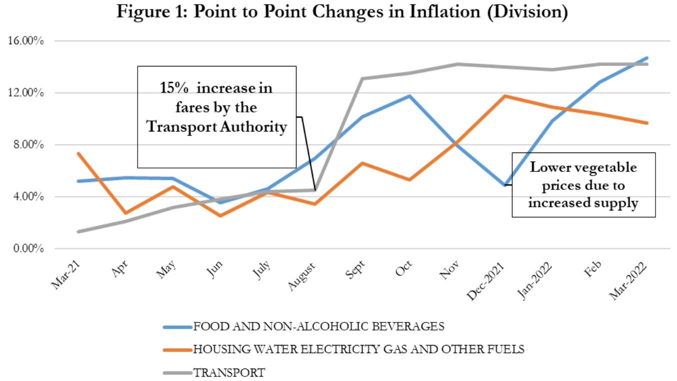
1 According to the Drewry's composite World Container Index, as of April 14, freight cost for 40ft container from Shanghai to New York costs US$11,353, which is 79% higher than a year ago.
2 The Food and Agriculture Organization of the United Nations (FAO)
3 Global food and fertilizer prices are soaring as a result, and since the invasion, wheat prices have increased by 21%, barley by 33% and some fertilizers by 40%. (Farm Policy News)
4 France24
5 The Index tracks monthly changes in the international prices of a basket of commonly-traded food commodities.
6 ICIS
7 The OPEC estimates an oversupply at 1.3 million b/d for 2022

increases in the short-term; however, inflation is projected to return within the target range by end-2022 aided by monetary policy tightening, higher interest rates and B-FXITT auctions. As global developments continue to fuel supply challenges and price increases, consumers could see a reduction in their purchasing power as inflation acts as a tax on disposable incomes. Key products or consumer items may also be difficult to source due to supply shortages in the near term. Increased fuel prices and its impact on electricity, manufacturing and retail fuel prices, the continued pickup in domestic demand and seasonal agricultural price changes could also contribute to the higher inflation outturn in the short run. Consequently, in February 2022, the Bank of Jamaica projected that inflation will breach the upper limit of the Bank's target range over the next 8-10 months, peaking in the 9% to 11% range. In light of this, we anticipate that the BOJ will continue increasing its policy rate and intervening via B-FXITT auctions to help tighten JMD liquidity and stabilize the currency to bring inflation within the 4% to 6% target range by end-2022.

Figure 1: Point to Point Changes in Inflation (Division)



Sources: BOJ & STATIN

Global Bond Prices

Overall, the market was very quiet last week. Investors had a risk-off approach, which resulted in bond prices decreasing week over week. The 10-yr yield closed at 2.904%, up from the 2.8270 in the previous week, underscoring the risk-off approach being taken by investors. The US economic data that is expected to be released this week, such as QoQ GDP for Q1, initial jobless claims and continuing jobless claims, is expected to be fairly positive. As such, we expect some amount of confidence to return to the market temporarily. However, the geopolitical uncertainties that surround Russia and Ukraine remain a concern. Furthermore, persistently high inflation and the expectations of a more aggressive 50bps rate hike is also impacting market sentiment. Consequently, 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	Recom-menda-tion
ALESA 2026 (7.75%)	BB-/ Stable	105.000	6.48%	BUY
PETRO-RIO 2026 (6.13%)	BB-/ Stable	100.000	6.12%	BUY
GEOPAR 2027 (5.5%)	B+/ Stable	95.000	6.75%	BUY
NRG 2032 (3.88%)	BB+/ Stable	88.25	5.44%	BUY
NFE 2026 (6.50%)	BB-/ Stable	101.00	6.24%	BUY
Sagicor 2028 (5.30%	BB-/ Stable	102.00	4.91%	BUY
Dom Rep 2033 (6.00%)	BB-/ Stable	93.750	6.82%	BUY
Dom Rep 2029 (5.50%)	BB-/ Stable	97.250	6.00%	BUY
Trajam 2036 (5.75%)	B+/ Stable	97.25	6.18%	BUY

GOJ Globals

In line with the risk off sentiment prevailing in the market last week, JAMAN bond prices declined along the curve week over week. The Jaman 28s, 39s, and 45s closed with bids of 108.75, 126.75 and 125.5, respectively.

Ticker	Maturity	Bid	Offer Yield*
JAMAN	2028	108.75	5.04%
	2039	126.75	5.54%
	2045	125.5	5.85%

*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 depreciated by 0.11% relative to the USD, with the US dollar selling at an average of J$155.60 on April 22 2022 versus J$155.43 on April 14, 2022. This depreciation is reflective of a strong demand for US currency.

Selling	Close: 14/04/22	Close: 22/04/22	Change
J$/US$1	$155.43	$ 155.60	+$0.17
J$/CDN$1	$125.01	$124.54	-$0.47
J$/GBP£1	$204.68	$201.91	-$2.77

Money Market

The Bank of Jamaica (BOJ) will continue to pursue its policy objective to bring inflation back within target by sterilising the market to further contract JMD liquidity. Notably, the inflation rate increased from 10.70% to 11.30% during March 2022. We anticipate that by its next Monetary Policy Committee Meeting on May 19th, if there is no improvement in the inflation rate, the BOJ will increase the policy rate again by an estimated 50 – 100bps, given that inflation is trending further away from its 4.0%-6.0% target range.

As JMD liquidity continues to tighten, following further actions from the BOJ, high levels of competition for cash by market players, such as deposit taking institutions (DTIs) and securities dealers, is likely to persist as they seek to maintain liquid asset ratios and stay sufficiently liquid (cash). Therefore, money market interest rates are anticipated to remain elevated. As of April 21, a total of J$37.4Bn was in the market according to the BOJ's aggregate current balances, an increase driven by government salaries, which are expected to be paid today. The average yield from the Bank of Jamaica's (BOJ) competitive auction remains elevated with the yield on its 30-days CD increasing to 8.21% relative to 7.92% in the prior week. The highest bid for full allocation was 9.25%. Whilst, the 30-days CD offers over the last 2 weeks have had no impact on market liquidity, the steady increase in rates has fueled demand for higher rates in the market.

The USD money market will remain stable despite changes in market activity affecting liquidity. We anticipate USD liquidity to be moderately stable in upcoming months, as improved tourism inflows and strong remittance growth continues to support USD liquidity. Additionally, the BOJ's attempts to sterilise JMD liquidity through its B-FXITT auctions has led to it selling approximately US$375.68Mn to the market so far in 2022. Furthermore, the BOJ is likely to continue to push USD liquidity to the market to absorb JMD liquidity in an effort to bring inflation back in line with its target. 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
25	26	27	28	29
JSE DIvidend Payment ($0.275)		Express Catering Ltd. Annual / Extra-Ordinary General Meeting	US GDP QoQ (Q1)	DCOV Dividend Payment ($0.40)
		Margaritaville (Turks) Ltd. Annual / Extra-Ordinary General Meeting		KPREIT Dividend Payment ($0.0008)
				PJAM (S) Dividend Payment ($0.35)
				SML Dividend Payment ($0.112)

International Local

Stock Recommendations

Ticker	Closing Price (April 22)	Current Recommendation
MAILPAC	$3.31	BUY
WISYNCO	$23.50	BUY
JBG	$28.05	HOLD
JMMBGL	$45.87	HOLD
JAMT	$3.76	BUY
PROVEN (JMD)	$36.77	BUY
PROVEN (USD)	$0.25	BUY
SCIJMD	$15.02	BUY
LAB	$3.22	HOLD
SJ	$56.67	HOLD
SEP	$61.86	HOLD
QWI	$0.94	HOLD
GK	$104.89	BUY
CCC	$70.63	BUY
KEX	$8.00	HOLD
PanJam	$64.70	BUY

Regional News

Double-Digit Growth Forecast for Barbados, Says IMF (Barbados Today)

The IMF is predicting major growth of 11.2% for the Barbados economy this year and 4.9% in 2023, even as it downgrades its global growth forecast. The fund is also predicting that with the most vulnerable globally facing added pressures from rising prices, countries could be faced with social instability and food insecurity. This healthy growth rate, which is in line with double-digit projections by the Barbados Central Bank at the start of the year, comes against the backdrop of a surge in consumer prices and other elevated risks as a result of the COVID-19 pandemic and war in Ukraine.

Noting that the Russia-Ukraine war will contribute to a significant slowdown in global economic growth this year, the IMF is predicting global growth of 3.6% for 2022 and 2023, down from the 4.4% and 3.8% respectively, that was forecasted back in January. The Russia-Ukraine war, coupled with the continued effects of the COVID-19 pandemic, rising inflation, and expected bottlenecks in supply chains as a result of the new lockdowns in China should also result in a continued rise in inflation globally. Consequently, in the case of oil and other commodity importers such as Barbados, the IMF official cautioned that a surge in prices could spell trouble, with the war adding to a series of supply chain shocks that will spread “far and wide. Against this backdrop, inflation is expected to remain elevated for much longer and may lead to more aggressive responses from policymakers. However, the IMF is willing to provide assistance and urges countries to put “carefully calibrated and temporary” fiscal and monetary measures in place to help provide ease to their population.

Inflation Opens the Door to A Period of Austerity in The Dominican Republic (Dominican Today)

Even though the Dominican Republic reported economic growth of more than 12%, cutting the budget and current expenses will be vital to face the rise in inflation, which started this year at 8.5%. The increase in the monetary policy interest rate above the pre-pandemic level was the first measure implemented by the Central Bank of the Dominican Republic (BCRD) to combat the increase in inflation. However, while higher inflation was expected to be transitory, a sustained rise in food prices, construction materials, and other goods and services, indicates that it will likely last until the end of the first half of this year.

The Dominican Association of Multiple Banks (ABA) has outlined that a significant proportion of small and medium-sized borrowers from productive sectors will not suffer as much from the increase in interest rates, since many are covered by monetary stimuli arranged as a result of the pandemic. Notably, after the health crisis broke out in 2020, the government made it easier to grant loans at fixed rates of 8% until July 2023. This will allow the country to overcome the transition to a path of sustained growth with adequate levels of inflation without major traumas.

International News

World Bank Slashes Global Growth Forecast to 3.2% From 4.1%, Citing Ukraine War (CNBC News)

The World Bank lowered its annual global growth forecast for 2022 on Monday by nearly a full percentage point, down from 4.1% to 3.2%, citing the impact that Russia’s invasion of Ukraine is having on the world economy. World Bank President David Malpass told reporters on a conference call that the largest single factor in the reduced growth forecast was a projected economic contraction of 4.1% across Europe and Central Asia, according to Reuters.

Other factors behind the slowdown in growth from January’s forecast include higher food and fuel costs being borne by consumers in developed economies across the world, said Malpass. The World Bank is “preparing for a continued crisis response, given the multiple crises,” Malpass told reporters. “Over the next few weeks, I expect to discuss with our board, a new 15-month crisis response envelope of around $170 billion to cover April 2022 through June 2023." This Ukraine crisis financing package is even larger than the one the World Bank organized for Covid-19 relief, which topped out at $160 billion

China Q1 GDP Tops Forecast, But March Weakness Raises Outlook Risks (Reuters)

China's economy slowed in March as consumption, real estate and exports were hit hard, taking the shine off faster-than-expected first-quarter growth numbers and worsening an outlook already weakened by COVID-19 curbs and the Ukraine war. The biggest near-term challenge for Beijing is the tough new coronavirus rules at a time of heightened geopolitical risks, which have intensified supply and commodity cost pressures, leaving Chinese authorities walking a tight rope as they try to stimulate growth, without endangering price stability.

Gross domestic product (GDP) expanded by 4.8% in the first quarter from a year earlier, data from the National Bureau of Statistics showed on Monday, beating analysts' expectations for a 4.4% gain and picking up from 4.0% in the fourth quarter. A surprisingly strong start in the first two months of the year improved the headline figures, with GDP up 1.3% in January-March in quarter-on-quarter terms, compared with expectations for a 0.6% rise and a revised 1.5% gain in the previous quarter. Analysts say April data will likely be worse, with lockdowns in commercial centre Shanghai and elsewhere dragging on, prompting some to warn of rising recession risks.

China should act to ease COVID impact, boost growth over 5%, central bank official says (Reuters)

China should take steps to soften the economic impact of COVID-19 and boost annual economic growth back above 5%, a top central bank official said on Sunday. Wang Yiming, a member of the Monetary Policy Committee of the People's Bank of China, told an economic forum the effective management of macroeconomic policies was critical in laying the foundation for the country to achieve the national growth target of around 5.5%. Gross domestic product rose 4.8% in the first quarter from the same period last year.

Beijing should "actively and effectively" expand domestic demand, stabilise the country's industrial supply chains and manage market expectations, Wang said. His comments come as Shanghai - China's most populous city and most important economic hub - battles the country's biggest COVID outbreak. Shanghai's lockdown, which for many residents has lasted over three weeks, has fuelled frustration over access to food and medical care, lost wages, family separation and quarantine conditions. This has also dragged on the world's second-largest economy, with factory production disrupted by snarled supply chains and difficulties faced by locked-down residents returning to work.

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