

Market Guide

THIS ISSUE

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"Successful investing is about managing risk, not avoiding it"

- Benjamin Graham

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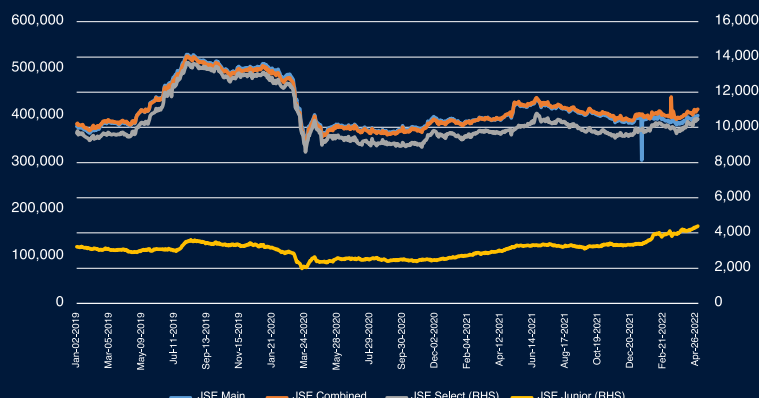
Business and Consumer Confidence Dip Despite Signs of Economic Recovery

Although Jamaica continues to gradually rebound from the pandemic-induced contraction of 2020, business and consumer confidence continue to fluctuate as the economy simultaneously faces upsides from the reopening, even as it contends with the headwinds from high inflation, rising interest rates and slowing global growth. Based on the findings from the Jamaica Chamber of Commerce (JCC) Business and Consumer Confidence survey released on April 26th, these changes were reflected in the sentiments expressed by businesses and consumers. While the results revealed that there is still some level of optimism among consumers and more so businesses, they highlight concerns that could pose challenges to economic recovery in coming months. However, these concerns and their impact on confidence and economic outlook are not unique to Jamaica, as the rest of the world is also grappling with high inflation and rising interest rates.

Consumer confidence dipped in Q1 2022, but there is optimism around expectations for higher income in the coming months. The index of consumer confidence closed March 2022 at 157.0 points, compared to 160.1 points in

December 2021, but increased on a year over year basis from 120.7 points in March 2021. The polls highlighted high prices, Russia-Ukraine conflict, economic stagnation, high crime and lack of employment as reasons for concern among consumers, which influenced the drop in confidence relative to the December quarter. Despite these concerns, some consumers remained optimistic given the improved employment rate, the reopening of the economy, declining COVID-19 positivity rate and growth in tourism, agriculture and performing arts. The unemployment rate fell to a historic low of 6.2% in January 2022 supported by the expansion in the BPO sector, rebound in tourism sector and resumption in commercial activity in other areas of the economy. It is anticipated that this number will fall further with the removal of all restrictions under the Disaster Risk Management Act (DRMA) in March, which would provide a fillip to business activity, especially the entertainment sector. This likely influenced consumers' expectations around higher income in Q1, which recorded a 4.9% increase over Q4. However, the majority of consumers do not anticipate purchasing either a home or a car or going on a vacation in the

WEEKLY MOVEMENT IN INDICES



MOVEMENT IN INDICES

JSE Indices	Closing Levels	Weekly Change	YTD % change
Combined Index	415,756.52	+834.88	+0.20%
Main Market Index	401,858.38	+117.00	+0.03%
Select Index	10,524.19	+26.70	+0.25%
Junior Market Index	4,451.62	+81.68	+1.87%

WINNERS & LOSERS (FOR THE WEEK ENDED APR 29, 2022)

	\$ Change	% Change
1834	+\$0.40	+47.1%
EFRESH	+\$0.50	+40.0%
SVL	-\$5.70	-17.4%
EPLY	-\$4.08	-9.54%

MARKET OVERVIEW

Last week, eight (8) indices advanced, while the cross-listed index declined. The prices of 59 stocks rose while 46 stocks declined, driving the increase in the indices. Gains in the main market were supported by a movement in CCC and 1834 Investments Limited, CCC reported a 4.2% growth in net profit attributable to shareholders for the first quarter ended March 31, 2022. CCC's earnings were driven by topline growth of 14.2%, owing to strong domestic demand and the company's capacity to supply the local market.

The main advancer last week, 1834 Investments Limited, contributed to the week over week growth in the Main market. This could be a reflection of the company's recent announcement that it had entered into a Scheme Implementation Agreement, which will lead to the amalgamation of both Radio Jamaica Limited (RJR) and 1834 Investments Limited. This will see RJR acquiring all of the shares of 1834 in exchange for shares in Radio Jamaica or cash consideration. Under the proposed transaction mechanism, each shareholder in 1834 Investments may elect to receive: a) 0.403125 shares in Radio Jamaica per 1834 Investments share; or b) a cash payment of J\$1.29 per 1834 Investments share; or c) a combination of shares in Radio Jamaica and cash. Combining 1834 and RJR will provide a new revenue stream for the latter with cost and operational synergies.

year ahead. With almost all respondents expecting a rise in prices in the 12 months ahead, this is likely the greatest influence in consumers delaying luxury purchases. Lack of plans around these discretionary purchases could signal weaker demand from consumers and a slower pace of economic growth.

During the same period, business confidence dipped slightly, but could be viewed as more stable. Business confidence was measured at 131.1 points for the March quarter compared to 131.8 points for the December quarter; and 115.2 points in the March 2021 quarter. Businesses appear to be optimistic about the lockdowns ending, COVID-19 seemingly subsiding and the overall increase in economic activity. Tourism and infrastructure developments across the island continue to move forward, which have aided a positive outlook in 2022. The tourism sector is also set to benefit from new and increased airlift arrangements and projections are that approximately 2.45 to 2.5Mn visitors will arrive in 2022 with a total visitor spend of about \$2.9Bn¹. Additionally, with the reopening of the entertainment sector, business leaders are cautiously optimistic about the prospects of Jamaica's continued recovery from the economic fallout sparked by the pandemic. The relative stability of the index could be a leading indicator of the moderate growth that is expected this year. The Planning Institute of Jamaica (PIOJ) estimates that growth will range between 3%-6% for 2022/23², with pre-pandemic returns anticipated for 2023/24. While there is uncertainty about

future business conditions, against the background of the impact of the Russia-Ukraine war, amongst other factors, firms are still anticipating a recovery in the short-term along with higher profitability.

The dip in consumer confidence in Q1 is not unique to Jamaica, as other countries, including the US and UK also reported a fall in their versions of the index in April. Americans' confidence in the economy remained in negative territory on the Gallup Economic Confidence Index (ECI) since July 2021, closing at -39 in April 2022. In the latest Gallup poll, conducted April 1-19, economic issues were highlighted as the most important problem in the U.S., and was at their highest point since 2016. Inflation was registered as the top economic problem and major threat to economic growth. In addition to rising inflation, the U.S. public is increasingly worried about high fuel prices³. The GFK Consumer Confidence indicator in the United Kingdom also fell to its lowest level since July 2008 in April 2022, amid higher interest rates and soaring inflation. The reading also marked the second-lowest reading since records began nearly 50 years ago, with the outlook for their personal finances (at -26) and the general economy (at -55) worse than the 2008 financial crisis.⁴

Despite the signs of recovery, with headwinds from factors such as the higher interest rate and inflation environment and geopolitical tensions, Jamaica's economic growth, like most countries' this year, will be determined by a battle of three forces. High interest rates, inflation and the war in Ukraine pose downside risks to confidence and growth, but, at the same time

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1 Jamaica's 2021 Visitor Arrivals and Spend Beat Projections (Travel Agent Central, April 6, 2022)

2 The Bank of Jamaica (BOJ) forecasts growth will moderate in the range of 2%-4% for 2022/23.

3 Inflation Concerns Fueling Low Economic Confidence in U.S.- (Gallup News, April 27, 2022)

4 United Kingdom Consumer Confidence (GFK Group- Trading Economics)

relaxed restrictions and pent-up demand are factors that will fuel growth, corporate profits and the desire to invest. At this time, the outlook still remains positive, but being a leading indicator, further declines in business confidence in the coming quarters could signal slower than forecasted economic growth in 2022. The duration of the Russia-Ukraine war will also be an important factor in determining how high inflation climbs and the pace of the economic recovery.

Global Bond Market

Overall, the market continued to be very quiet last week. The risk-off streak continued as economic data strengthened the case for a tightening of monetary policy. The Employment Cost Index (ECI), a broad gauge of wages and benefits, advanced 1.4% in the first quarter, according to the US Labor Department. This was the largest advance since the early 2000s and followed a 1% advance seen in the final months of June 2021. The market also now pricing in a 75 basis-point increase in the Fed Funds rate at the Fed's meeting in June. This expectation follows the 50bps hike expected at this week's meeting. Odds of a recession are creeping higher amid expectations that the Fed will continue to raise its benchmark rate to tame the record high inflation, especially after the US economy unexpectedly contracted in the first quarter of 2022. As such, there was a general decline in emerging market bonds. The Jamaican and Dominican Republic sovereign bond prices declined along the curve, as volatility persisted throughout the week.

Bonds	Current Rating	Indicative Price	Yield	Recommendation
ALESA 2026 (7.75%)	BB-/ Stable	103.250	6.91%	BUY
PETRO-RIO 2026 (6.13%)	BB-/ Stable	98.500	6.55%	BUY
GEOPAR 2027 (5.5%)	B+/ Stable	93.000	7.28%	BUY
NRG 2032 (3.88%)	BB+/ Stable	85.750	5.80%	BUY
NFE 2026 (6.50%)	BB-/ Stable	100.900	6.26%	BUY
Sagicor Fin. 2028 (5.30%)	BB-/ Stable	102.50	5.25%	BUY
Dom Rep 2033 (6.00%)	BB-/ Stable	93.000	6.93%	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 108.25, 124.75 and 123.25, respectively.

Ticker	Maturity	Bid	Offer Yield*
JAMAN	2028	108.25	5.13%
	2039	124.75	5.70%
	2045	123.25	6.01%

*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 (NCBCLM) 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 0.48% relative to the USD week over week, with the US dollar selling at an average rate of \$154.86 on April 29 versus \$155.60 on April 22, 2022. This appreciation was driven by large USD transactions by dealers.

	Close: 22/04/22	Close: 29/04/22	Change
J\$/US\$1	\$155.60	\$154.86	-\$0.74
J\$/CDN\$1	\$124.54	\$129.58	+\$5.04
J\$/GBPE1	\$201.91	\$196.87	-\$5.04

Money Market

As the JMD liquidity tightens, this will further lead to high levels of competition for cash by market players such as DTIs in order to maintain liquid asset ratios and stay sufficiently liquid (cash). Therefore, money market interest rates are anticipated to remain elevated. As at 28th April, a total of J\$42.48Bn was in the market, higher than the J\$37.4Bn last week, but remained concentrated amongst a few DTIs, according to BOJ's aggregate current balances. The GOJ re-opened the Fixed Rate 10.00% Benchmark Investment Note due April 29, 2037, which is slated to remove a total J\$2Bn from the market. However, the maximum yield for the bid was capped at 10%.

Overnight lending amongst market players were very limited and at rates as high as 5.75% – 6.50%. The average yield from the Bank of Jamaica's (BOJ) competitive auction also remains elevated with the yield on its 30-days CD increasing to 8.23% relative to 8.21% in the prior week. The highest bid for full allocation was 8.74%. Whilst, the 30-days CD offers over the last 3 weeks has had no impact on market liquidity, the steady increase in rates have caused market rates to rise.

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 against the background of improved tourism inflows, strong remittance growth continues to support USD liquidity and sale of USD by the BOJ through its B-FXITT auctions. 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.

Dates to watch this week

May 2022				
MON	TUE	WED	THUR	FRI
2	3	4	5	6
Euro Consumer Inflation Expectation (Apr)		U.S. Trade Balance	Bank of England Inflation Report & Interest Rate Decision (May)	U.S. Unemployment Rate
BPOW's General Meeting at Serengeti Hope Zoo		US Fed Interest Rate Decision	GHJ Annual General Meeting	SEP Dividend Payment (\$0.50 per share)

International
 Local

Stock Recommendations

Ticker	Closing Price (April 29)	P/E	Avg. P/E	Current Recommendation
MAILPAC	\$3.15	19.7x	27.3x	BUY
WISYNCO	\$23.50	25.0x	25.8x	BUY
JBG	\$28.38	23.1x	25.8x	HOLD
JMMBGL	\$46.78	7.7x	14.5x	HOLD
MASSY	\$99.00	13.5x	13.7x	BUY
JAMT	\$3.62	19.2x	22.0x	BUY
PROVEN (JMD)	\$36.12	11.0x	14.5x	BUY
SCIJMD	\$15.74	9.7x	14.5x	BUY
LAB	\$3.25	25.0x	27.6x	HOLD
SJ	\$56.51	12.7x	14.5x	HOLD
SEP	\$60.26	20.7x	25.8x	HOLD
QWI	\$0.93	3.7x	14.5x	HOLD
GK	\$108.25	13.1x	13.7x	BUY
CCC	\$72.53	14.4x	19.7x	HOLD
PanJam	\$66.01	9.7x	14.5x	BUY

Regional News

Barbadian Economy Grows But Threats Loom (Barbados Today & CBB)

Despite a number of uncertainties that continue to threaten the economic prospects for Barbados this year, the island recorded economic growth of 11.8% for the first three months of 2022 and is on track to end the year with double digit growth, according to the latest Central Bank report.

The 11.8% growth in economic activity during the first three months was led by the tourism sector as pent-up travel demands translated into the highest level of long-stay arrivals since the onset of the pandemic.

Travel from the United Kingdom dominated the upswing in tourism demand, accounting for more than half of the arrivals, the equivalent of 75% of 2019 levels. In spite of the strong performance, long-stay arrivals were equivalent to just 55% of 2019's record level as demand from the United States, Canadian and Caribbean markets recovered more slowly.

In spite of the further anticipated rebound, with uncertainties relating to the ongoing COVID-19 pandemic, supply chain disruptions and the war in Ukraine, the Central Bank Governor has said that Barbados' bread and butter tourism industry could

be significantly impacted, resulting in less than ideal economic performance.

Expanding Oil Production Will Drive Guyanese Growth Surge In 2022 (Fitch Solutions)

Fitch Solutions projects GDP growth in Guyana will reach 46.0% in 2022, from 19.9% in 2021, as the expanding oil sector will fuel a surge in growth. Oil production and exports have underpinned the Guyanese economy since ExxonMobil began production from the Stabroek block in Q4 2019. The first producing project, Liza-1, surpassed production expectations of 104,000 barrels/day (b/d) in 2021, with actual output of 110,000 b/d.

It is expected that production from ExxonMobil's second floating platform project, Liza 2, which came online ahead of schedule in February 2022, will provide additional oil production in the coming months. In turn, higher oil revenues will fund greater government expenditures which will spur growth in the non-oil economy. Elevated oil prices, strong demand for energy and additional exploration offshore will sustain export and investment growth in 2022.

Goods exports will grow 61.0% in 2022, as Fitch's Oil & Gas team recently revised its oil production forecast for Guyana to 234,500 b/d in 2022, from 147,600 b/d previously, due to ExxonMobil's ability to deliver robust output growth from two existing offshore projects over the coming months.

In addition, oil prices will average USD100.0/barrel in 2022 due to the lingering impact of the Russia-Ukraine conflict, incentivising additional domestic production. Finally, upstream investments are expected to remain high over the near term as the ExxonMobil-led consortium continues to prioritise Guyana's assets in their capital expenditure plans and prices remain elevated.

International News

U.S. Economy Shrinks In Q1 2022; Trade, Inventories Mask Underlying Strength (Reuters)

The U.S. economy unexpectedly contracted in the first quarter amid a resurgence in COVID-19 cases and a drop in pandemic relief money from the government, but the decline in output is misleading as domestic demand remained strong.

GDP fell at a 1.4% annualized rate last quarter, the first decrease in GDP since the short and sharp pandemic recession nearly two years ago. As reported by the Commerce Department on Thursday, this was mostly driven by a wider trade deficit as imports surged, and a slowdown in the pace of inventory accumulation.

Front-loading by businesses fearful of shortages because of the Russia-Ukraine war contributed to a surge in imports. Exports tumbled, leading to a sharp widening of the trade deficit, which chopped 3.20 percentage points from GDP growth, the most since the third quarter of 2020. Trade has now been a drag on growth for seven straight quarters. Additionally, the economy also took a hit from supply-chain challenges, worker shortages and rampant inflation.

Gus Faucher, chief economist at PNC Financial in Pittsburgh, Pennsylvania noted that the U.S. economy is not anywhere close to recession. He noted that underlying demand remains strong, the labour market is in excellent shape, and that growth will resume in the second quarter.

Oil slips on China growth worries, EU weighs Russian crude ban (Reuters)

Oil prices fell on Monday as concerns about weak economic growth in China, the world's top oil importer, outweighed fears of potential supply stress from a potential European Union ban on Russian crude.

Brent crude futures fell 71 cents, or 0.6%, to \$106.43 a barrel at 0801 GMT, while U.S. West Texas Intermediate (WTI) crude futures fell 70 cents, or 0.6%, to \$103.99 a barrel. Markets in Japan, India and across Southeast Asia were closed for public holidays on Monday.

Prices fell after China released data on Saturday showing that factory activity in the world's second-largest economy contracted for a second month to its lowest since February 2020 because of COVID lockdowns.

On the supply side, Libya's National Oil Corp (NOC) said on Sunday it would temporarily resume operations at the Zueitina oil terminal to reduce stockpiles in storage tanks to avert an "imminent environmental disaster" at the port.

NOC in late April declared force majeure on some shipments at Zueitina as political protesters forced a number of oil facilities to suspend operations.

Limiting the downside for oil prices is the EU's leaning towards a ban on imports of Russian oil by the end of the year, two EU diplomats said, after talks between the European Commission and EU member states over the weekend.

U.S. natural gas production growth wanes as need arises (Reuters)

U.S. natural gas production growth is waning at the same time many countries are looking for new suppliers to help break their dependence on Russian gas after Moscow's invasion of Ukraine.

The United States is already the world's largest producer of natural gas. But the two mainstays of production - the Appalachian region and West Texas - are seeing growth slow, with companies blaming lack of adequate pipeline infrastructure, despite prices near 14-year highs.

Since Moscow invaded Ukraine on Feb. 24, U.S. gas prices have soared about 50% as European countries look to the United States, the world's second biggest exporter, to sell more liquefied natural gas (LNG) to wean Europe off Russian fuel.

Growth has slowed in Appalachia, which supplied about 37% of U.S. gas in 2021, because it has become increasingly difficult for energy firms to build new pipes to move gas out of the Pennsylvania, Ohio and West Virginia region.

Energy analysts expect benchmark gas prices will average \$4.24 per million British thermal units (mmBtu) in 2022, which would be the highest annual average in eight years.

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