NCB CAPITAL MARKETS LIMITED

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Market Guide

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

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Recovery in travel hurting remittances?

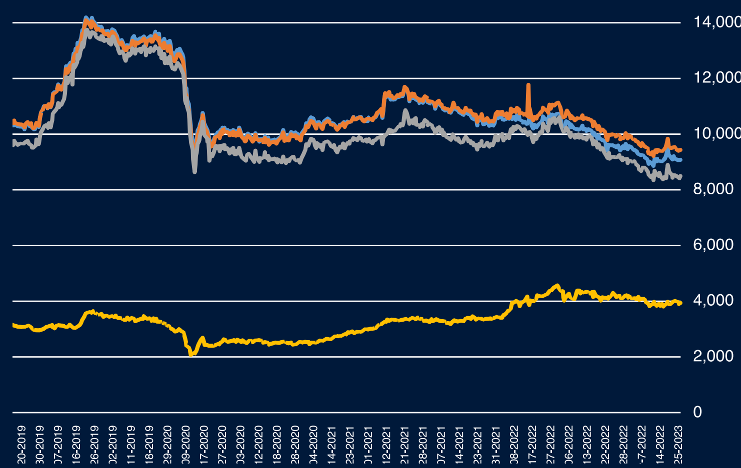
Remittance inflows have become a major source of foreign exchange for Jamaica, support for the balance of payments, as well the main source of income for some Jamaicans. It has increased in its importance to the Jamaican economy over the years with its share of GDP increasing to as high as 25.3% in 2021 (see Figure 1). Despite initial expectations that the recent COVID-19 pandemic would cause remittance to low and middle-income countries to decline by 19.7% in 2020, due to the heavy job losses in major source markets like the US, the fallout was just 1.6% (World Bank). Given its importance as a supplementary income for many developing countries, emigrants stepped up their assistance to their families in need with aid from the unprecedented fiscal stimulus provided by developed nation governments. This resulted in some countries like Jamaica receiving record remittance inflows during 2020 and 2021. Remittance inflows grew at 20.8% and 20.3% in 2020 and 2021, respectively. However, the significant increase was also influenced by the restrictions placed on travel, which forced persons to send remittances through official channels. With borders now opened and less fears around travelling, it appears that families are again travelling to Jamaica and delivering some remittances in-person. This along with lower economic growth in source markets, and greater economic recovery in our domestic market, led to a declining trend in remittances in 2022, since February. Considering the economic slowdown anticipated in the largest source markets, especially the US and UK[1], this declining trend could continue into 2023. However, the overall falloff could be tempered by the still strong labour markets in these countries supporting disposable incomes, as well as increased support from the diaspora for their loved ones as growth in domestic activity decelerates and inflation remains elevated.

A major source of foreign exchange, income and BOP support

Remittances constitute a critical flow of foreign currency to many countries in Latin America and the Caribbean, including Jamaica, even as other sources of foreign income, such as export and foreign investment, remained flat or declined. In 2020, when one of Jamaica's main foreign exchange source in the form of tourism inflows collapsed because of the restrictions on travelling, remittances increased by 20.8% helping to shore

1 The United States remains the largest source market for remittance inflows to Jamaica, averaging 56% of total inflows from 2017-2021, followed by the United Kingdom and Canada, with contributions averaging 9.9% and 8.8% respectively, over the past five years.

WEEKLY MOVEMENT IN INDICES



MOVEMENT IN INDICES

JSE Indices	Closing Levels	WoW % Change	YTD % Change
Combined Index	351,286.59	-0.66%	-4.7%
Main Market Index	337,795.57	-0.74%	-5.1%
Select Index	8,401.85	-1.13%	-1.1%
Junior Market Index	3,940.47	0.06%	0.1%

WINNERS & LOSERS (FOR THE WEEK ENDED FEB 3, 2023)

	$ Change	% Change
JPS7	+$2.63	+78.0%
PBS	+$0.39	+30.7%
PAL	-$657.99	-22.8%
KEX	-$2.12	-17.0%

MARKET OVERVIEW

Last week's trading activity resulted in six of the nine JSE market indices declining. This represents continuation of the trend seen for the past five weeks where majority of the indices have been declining weekly due to global market uncertainty, geopolitical events, elevated consumer prices, and high interest rates. The JSE Select Index saw the most significant decline week over week (-1.13%) primarily impacted by the falloff in the prices of NCB Financial Group and JMMB Group Limited, which declined by 1.13% and 6.03%, respectively. NCB Financial Group, on Thursday February 2, published its financial results which saw profits decline by 68.4% due to a one-off $3.5-billion adjustment for its subsidiary, Guardian Holdings Limited. This financial release helped to sustain the falloff in prices that was taking place in the days prior to the announcement. Among the advancing indices, the JSE USD Equities Index recorded the biggest gains (+12.76%), buoyed by appreciation in stocks, including Productive Business Solutions Ltd. USD Ordinary Shares (PBS) and Proven Group Limited USD (PROVEN), which gained 30.7% and 4.3% week-over-week, respectively. In the past month, Proven announced plans to expand its footprint in Barbados by setting up a wealth management operation there through its subsidiary Proven Wealth Limited. This, it said, represents a low-risk strategy to grow its fee business without risking much capital. This expansion of Proven's operations bodes well for future revenues and profitability, which is likely putting upward pressure on its stock price.

Last week, 128 stocks traded, of which 64 advanced, 53 declined and 11 traded firm. Market volumes amounted to 111,903,835 units valued at over $808,482,931.54. Market volumes have been improving since the start of the year moving from 64Mn in the week of January 6 to 160Mn on January 24 before falling to 111Mn last week.

up hard currency supplies. Minister of Finance, Dr. Nigel Clarke revealed that the increase cushioned a US$2.5Bn blow caused by the collapse of tourism. The Remittance to Exports ratio was 238.4%, which indicates that for every US$1 earned from exports, remittance was US$2.38. Remittance inflows have been the main source of income or supplement to household income in Jamaica as residents take advantage of the opportunities offered in foreign countries to earn more and assist relatives at home. Based on the Survey of Living Conditions (2019), the proportion of local households receiving remittances was 55%, (56.9% in 2018[2]). Additionally, the deficits in the Balance of Payments current account have been consistently reduced by remittance inflows. In the March 2021 quarter, the deterioration of the current account surplus was tempered by improvements in remittances[3]. Remittances are stable and may even be countercyclical during a growth slowdown in the recipient country (Maimbo and Ratha, 2005). Therefore, remittances can help to stabilize the fluctuations in FX markets when capital inflow declines or the trade balance shrinks.

Remittance trending down

Net remittance inflow, which is the total inflows less total outflows, has been declining since February 2022. In November, net inflows were down by 2.7% yoy and 2.0% for the calendar year to date due in part to an increase in cash-in-hand remittance, as travel recovers. With individuals now able to freely travel to visit relatives and loved ones, there is less need to transfer money through a formal agent. As such, these flows will not be accounted for in the formal numbers and as a result, contributes to a y-o-y decline. Additionally, in 2020 and 2021, the disbursements of multi-trillion stimulus packages, in countries such as the US, would have led to remitters having more disposable income and being able to increase their transfers. The falloff could also just be a case of normalization, as recovery in most sectors has started, and persons have regained their employment compared to 2020-2021 when non-essential sectors were shut down and unemployment was higher and relatives abroad would have increased the money they sent home.

Outlook

In 2023, global remittances will likely moderate to 4.7% growth, due to a weaker economic outlook for the United States, according to World Bank. As inflation continues to be an issue for countries globally, central banks may be forced to continue employing a contractionary monetary policy, growth in these economies is expected to slow, with some likely facing recession. According to the IMF's World Economic Outlook January 2023, growth in the US is expected to decline from 2.0% in 2022 to 1.4% in 2023, while growth in the UK economy is expected to contract (-0.6%), reflecting tighter fiscal and monetary policies and financial conditions. GDP is forecasted to grow at just 0.7% in Canada. Despite some large companies in the US announcing job cuts, the overall job market remains tight, as the unemployment rate was down to 3.5% in December[4]. Similarly, in Canada, the unemployment rate fell to 5%, even as there are expectations of another rate increase to cool the economy.

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The UK labour market continued to cool at the end of 2022, according to a survey compiled by S&P Global, as job growth slowed, reducing upward pressure on wages. As demand falls, companies are likely to lay off workers or cut work hours, resulting in lower disposable incomes. The disposable income of immigrants is directly linked to remittance flows, as income increases, more is expected to be sent home. With a looming global recession that could disrupt the labour market, the remittance inflow for Jamaica could see a sharper decline, similar to the fallout of 12.5% in remittance to $1.89Bn, during the 2008/2009 global economic crisis. Despite the potential fall in income for remitters, the impact of a global recession on remittance inflows may be tempered by migrants going the extra mile to bail out their relatives who are more vulnerable at home.

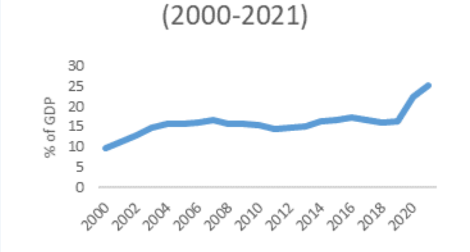

Figure 1: Jamaica's Remittance Inflows % of GDP (2000-2021)

2 Planning Institute of Jamaica- Survey of Living Condition (2019)

3 Bank of Jamaica- Balance of Payment Update (March 2021)

4 Unemployment rate was 3.9% in December 2021.

Foreign Exchange Market

The Jamaican dollar depreciated slightly by 0.36% relative to the USD, week over week, with USD selling for J$155.17 on February 3, 2023 up from J$154.61 on January 27, 2022 due to strong end-user demand. Moreover, there was no intervention from the Bank of Jamaica in the foreign exchange market last week to stem depreciation.

Selling	Close: 27/01/23	Close: 03/02/23	Change
J$/US$1	$154.61	$155.17	+$0.56
J$/CDN$1	$115.75	$116.03	+$0.28
J$/GBP£1	$193.17	$188.74	-$4.43

Global Bond Prices

US inflation figures continued to trend down last week in-line with expectations. The Personal Consumption Expenditure (PCE), the Federal Reserve's preferred inflation measure, hit a 15-Month Low in December. PCE prices rose 0.1% for the month of December similar to November. Over the year, PCE prices rose 5.0%, but are down from 5.5% in November, in-line with expectations. Core PCE - which excludes food and energy costs - fell to an over one-year low of 4.4% in December 2022 from 4.7% in the prior month, which was in line with forecasts. On a monthly basis, core PCE increased 0.3%, also in line with estimates.

US statistics also continued to show evidence of a tight labour market, which sustains some expectations for a soft landing. The January Employment Situation Report showed much stronger than expected payroll growth, as well as upward revisions in November and December that were a combined 71,000 higher than previously reported. This report also included revisions to survey data for March 2022, which resulted in the total nonfarm employment level for March 2022 being revised upward by 568,000 (or 506,000 not seasonally adjusted). Beyond the payroll growth in January, which was widespread and included a gain of 128,000 for leisure and hospitality, a 105,000 increase in private education and health services, and a 25,900 increase in temporary jobs, the unemployment rate of 3.4% was the lowest since 1969. Further, the average work week jumped to 34.7 hours from 34.4 hours, which was a boon for aggregate wage growth.Average hourly earnings were up 4.4% year-over-year versus 4.8% in December. The key takeaway from the report is that despite the good numbers, the Fed still believes that the labour market "remains extremely tight" and is still "out of balance". Though Fed officials have expressed their intention to keep rates elevated for as long as it takes to bring down inflation, markets are betting the central bank starts cutting before the end of 2023. This employment report, however, is one to be celebrated in that it supports the narrative of a soft landing given the strong payroll growth and a small moderation in average hourly earnings growth.

Considering the positive inflation results, Eemerging market bond prices rallied strongly up to 2 points within the week, but was dampened by the strong payroll numbers and the possibility of the Fed may remaining aggressive in its path of interest rate hikes. This caused a sell off and bonds closed with bids above what they were in the prior last week. There also continued to be demand for the safe haven US Treasuries, pushing Tthe 2-yr note yield is up 16 basis points to 4.24% and the 10-yr note yield is up 11 basis points to 3.50%.

Bonds	Current Rating	Indicative Price	Yield	Recommendation
Sagicor Fin 2028 (5.30%)	BB-/ Positive	99.75	5.35%	BUY
TPHLTT 2029 (9.00%)	BB/ Stable	107.25	7.57%	BUY
MARFRIG 2026 (7.00%)	BB+/ Stable	102.50	6.14%	BUY
BERMUD 2027 (3.72%)	A+/ Stable	99.25	3.92%	BUY
ALSEA 2026 (7.75%)	BB-/ Stable	103.75	6.63%	BUY
DomRep (6.6%) 2024	BB-/ Stable	102.25	4.20%	BUY
DomRep (5.88%) 2024	BB-/ Stable	101.75	4.34%	BUY
DomRep (5.50%) 2025	BB-/ Stable	101.75	4.56%	BUY
DomRep (6.88%) 2026	BB-/ Stable	105.75	4.77%	BUY
DomRep (8.63%) 2027	BB-/ Stable	109.00	6.15%	BUY
DomRep (5.95%) 2027	BB-/ Stable	102.75	5.17%	BUY
DomRep (5.50%) 2029	BB-/ Stable	97.90	5.92%	BUY
DomRep (6.00%) 2033	BB-/ Stable	96.25	6.51%	BUY
PETRO-RIO 2026 (6.13%)	BB-/ Positive	99.50	6.29%	BUY
NFE 2025 (6.75%)	BB-/ Stable	99.00	7.17%	HOLD
NFE 2026 (6.50%)	BB-/ Stable	96.00	7.78%	HOLD

GOJ Globals

Ticker	Maturity	Bid	Offer Yield*
JAMAN	2028	109.25	4.73%
	2039	124.00	5.70%
	2045	120.25	6.19%

*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
SJPC	2032	8.85%	104.00	8.22%
BDHR	2027	8.15%	100.50	8.00%
PBS	2025	6.50%	101.00	6.13%

Money Market

As of the 2nd of February, a total of J$15.25Bn was in the market, as represented by the BOJ's aggregated current balances. The aggregated closing current account balance decreased by J$7.45Bn from J$22.7Bn on January 26th.

There continues to be an improvement in JMD liquidity in the market with market players being able to lend for all tenures. As market sentiments continue on expectations that rates will rise in the short to medium term, brokers are attempting to place JMD while mainly seeking to borrow USD.

Relative to last week where the average rate declined, the average yield from BOJ's competitive price auction increased to 9.90% relative to 9.67% in the prior week. The auction was oversubscribed with total bids received amounting to J$23.38Bn relative to the offer size of J$23Bn. The highest bid rate for full allocation was 11.50%.

The USD money market remains stable and moderately liquid. Broker market demand for USD has increased for 30-days and longer-tenured funds. There was no BOJ intervention in the foreign exchange market via B-FXITT auction last week.

Dates to watch this week

International Local

February 2023

MON	TUE	WED	THUR	FRI
06	07	08	09	10
		US Consumer Credit (Dec)		UK GDP (QoQ, MoM, Q4)
		iCreate -Annual / Extra-Ordinary General Meeting		Canada Unemployment Rate (Jan)

Recommendations

Ticker	Closing Price (Feb. 3)	P/E	Avg. Sector P/E	Current Recommendation
WISYNCO	$17.08	14.6x	14.4x	BUY
LAB	$2.32	15.5x	20.8x	BUY
GK	$78.57	10.1x	9.8x	BUY
ELITE	$3.19	19.8x	20.8x	BUY
IPCL	$2.04	26.8x	20.8x	BUY

Regional News

Brazil's industrial output falls in 2022, gloomy scenario likely to continue (Reuters)

Industrial production in Brazil ended 2022 with a 0.7% drop on the previous year, government statistics agency IBGE said on Friday, losing some of the gains the sector recorded in 2021 after a pandemic-related downturn. IBGE said the retreat came on the back of rising interest rates, which directly affected the cost of credit, as well as high inflation hurting household consumption in Latin America's largest economy. Economists expect the gloomy scenario to continue after output remained unchanged in December from November, matching the market's median estimate in a Reuters poll. After starting 2022 with a positive tone due to government stimulus measures, Brazil's industrial sector stuttered in the second half of the year. Andres Abadia, chief economist for Latin America at Pantheon Macroeconomics, said the industrial recession would likely continue in the first quarter due to "stiflingly high interest rates, the lagged effect of lingering supply issues, and less-supportive global growth". When compared with the previous year, IBGE reported production in December retreated 1.3%, slightly below a 1.1% drop consensus. William Jackson, chief emerging markets economist at Capital Economics, said the fresh data showed the sector was a drag on Brazil's economy in late 2022, with early signs indicating that January was no better. "Even so, it's clear that the central bank is focused on growing inflation risks rather than weakening activity and we expect interest rates to be kept on hold for most of this year," Jackson said. The central bank on Wednesday kept its benchmark interest rate at a six-year high of 13.75% and said it was considering holding the policy rate at that level for longer than markets expect due to fiscal risks. Brazil's industrial output remains 2.2% below the pre-pandemic levels of February 2020 and 18.5% below the May 2011 all-time high, IBGE said.

The Bahamas To See Above-Trend Growth In 2023, But Will Not Fully Recover Until 2024 (Fitch Solutions)

Fitch forecasts that the Bahamian economy's post-pandemic recovery will lose some steam in 2023, but growth will remain robust at 4.0% in 2023 following an estimated 8.1% expansion in 2022. That said, headline growth will remain above the 2015-2019 average trend of 1.4%, as continued recovery in the tourism sector will support growth in exports and household incomes. Average headline inflation is forecasted to remain elevated in 2023 at 4.5%, from an estimated 5.6% in 2022, further draining household purchasing power and weakening overall private spending. Also, higher-than-expected fuel prices could cause inflation to remain sticky through 2023, which could also dampen private consumption growth, posing downside risks to Fitch's outlook. Overall, private consumption will contribute 3.2 percentage points (pp) to headline growth in 2023, down from 9.0 pp in 2022.

International News

ECB and Bank of England fight inflation with sharp interest rate hikes (CNN)

Europe's two largest central banks raised interest rates sharply on Thursday, opting for bigger increases than the US Federal Reserve as inflation in the region remains near historically high levels. The European Central Bank (ECB) and the Bank of England lifted rates by another half a percentage point. Benchmark interest rates for both are at their highest levels since 2008. While the Federal Reserve eased up on rate hikes on Wednesday, delivering just a quarter-point increase as it judged that it was making progress in its battle against inflation. The ECB said it expected to raise interest rates further and intended to hike them by another half a percentage point in March. Although inflation in the 20 countries that use the euro slowed in January, at 8.5% it remains far above the bank's 2% target. Speaking to reporters after the announcement, ECB President Christine Lagarde noted recent steep falls in energy prices but said the fight to tame inflation had further to go. UK inflation has also eased, coming in at 10.5% in December, but remains near a 41-year high. The Bank of England has a particularly tough job on its hands: prices are rising rapidly while at the same time, the United Kingdom faces a risk of recession, and rate hikes act to dampen both inflation and economic growth. On Tuesday, the International Monetary Fund forecast that the United Kingdom would be the only major economy to contract this year. "The labour market remains tight and domestic price and wage pressures have been stronger than expected, suggesting risks of greater persistence in underlying inflation," the bank said in a statement.

IMF lifts 2023 growth forecast on China reopening, strength in U.S., Europe (Reuters)

The International Monetary Fund on Tuesday raised its 2023 global growth outlook slightly due to "surprisingly resilient" demand in the United States and Europe, an easing of energy costs and the reopening of China's economy after Beijing abandoned its strict COVID-19 restrictions. The IMF said global growth would still fall to 2.9% in 2023 from 3.4% in 2022, but its latest World Economic Outlook forecasts mark an improvement over an October prediction of 2.7% growth this year with warnings that the world could easily tip into recession.

In its 2023 GDP forecasts, the IMF said it now expected U.S. GDP growth of 1.4%, up from 1.0% predicted in October and following 2.0% growth in 2022. It cited stronger-than-expected consumption and investment in the third quarter of 2022, a robust labour market and strong consumer balance sheets. It said the eurozone had made similar gains, with 2023 growth for the bloc now forecast at 0.7%, versus 0.5% in the October outlook, following 3.5% growth in 2022. The IMF said Europe had adapted to higher energy costs more quickly than expected, and an easing of energy prices had helped the region. Britain was the only major advanced economy the IMF predicted to be in recession this year, with a 0.6% fall in GDP as households struggled with rising living costs, including for energy and mortgages. For 2024, the IMF said global growth would accelerate slightly to 3.1%, but this is a tenth of a percentage point below the October forecast as the full impact of steeper central bank interest rate hikes slows demand. IMF chief economist Pierre-Olivier Gourinchas said recession risks had subsided and central banks are making progress in controlling inflation, but more work was needed to curb prices and new disruptions could come from further escalation of the war in Ukraine and China's battle against COVID-19.

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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