NCB CAPITAL MARKETS LIMITED

April 24, 2023

Market Guide

THIS ISSUE

Mutual fund: A mutual fund is a company that pools money gathered from many investors and invests it in stocks, bonds and other assets. The fund is managed by professional managers who invest the money collected in an attempt to produce capital gains or income for the fund's investors.

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Not Yet Out of the Woods: Inflation Cools, But Caution Still Warranted

Globally, consumer prices appear to be moving in the right direction, with the most recent data providing clear signs that inflation is cooling, albeit with ongoing risks. In the US, annual inflation, as measured by the Consumer Price Index (CPI), declined for the 9th consecutive month in March to 5% compared to 6% in February. This decline was supported by a reduction in energy prices. However, food and rent still exhibited significant price growth, with increases of 8.5% and 8.3%, respectively over the past year. In Canada, the CPI rose 4.3% year over year in March, down from a 5.2% increase in February, as higher mortgage interest costs were offset by a decline in energy prices[1]. In the U.K., inflation dropped slightly to 10.1%[2] in March from the unexpected jump to 10.4%[3] in February. However, it remained in double-digits in March as households continued to grapple with soaring food and energy bills. Consistent with the global downtrend, the local point-to-point inflation rate also fell to 6.2% in March, significantly below the 7.8% recorded in February (Figure 1). Declines in the 'Housing, Water, Electricity, Gas and Other Fuels' and 'Transport' divisions helped to cool prices. This puts the inflation just outside of the BOJ target range and the lowest it has been since August 2021. However, food prices continue to keep local inflation elevated (Figure 1). Despite recent signs of cooling inflation, we are not yet out of the woods as ongoing risks stemming from significant price growth in food, and the impact of energy prices, could affect consumer prices in the future.

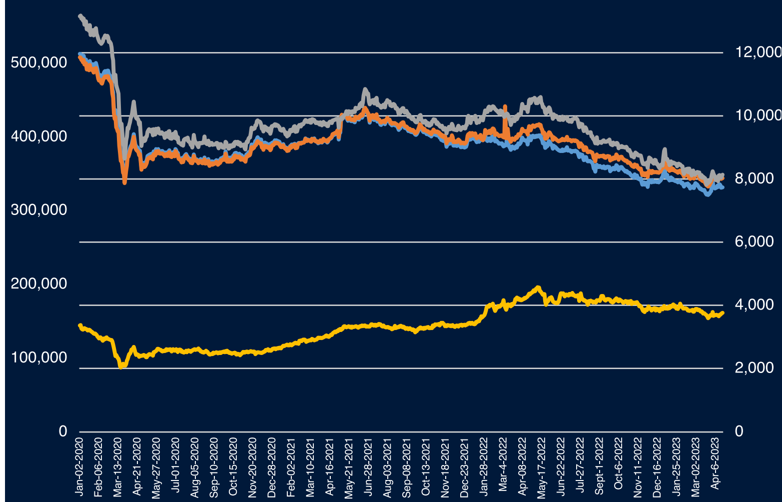
Actions by Central Banks are matching the trend in inflation, with some softening rate increases, and others pausing hikes. Despite the softer actions, monetary policy stance is still tight, which will keep short-term interest rates elevated. The US Federal Reserve increased its benchmark interest rate by 25 basis points, to a range of 4.75%-5% in March 2023. The Fed's rate adjustment, though lower than earlier cuts of 50bps, is expected to continue with projections indicating a range of 5%-5.25% by the end of 2023. Similarly, the Bank of England (BoE) raised its target range to 4.25% with a 25 basis point hike in March 2023, down from 50bps increases in 2022. Central banks, such as the US Fed and the BoE, continue to increase interest rates as inflationary pressures, though easing, persist with prices still above desired levels. However, the Bank of Canada opted to maintain its interest rate

1 Statistics Canada

2 Office for National Statistics

3 This broke three consecutive months of declines since October's 41-year high of 11.1%.

WEEKLY MOVEMENT IN INDICES



MOVEMENT IN INDICES

JSE Indices	Closing Levels	WoW % Change	YTD % Change
Combined Index	344,198.94	-0.68%	-6.6%
Main Market Index	331,860.65	-1.07%	-6.8%
Select Index	8,136.66	+0.31%	-8.5%
Junior Market Index	3,774.36	+2.96%	-5.3%

WINNERS & LOSERS (FOR THE WEEK ENDED APR 21, 2023)

	$ Change	% Change
SRFUSD	+$0.03	+47.2%
CAC	+$1.59	+25.7%
JMMBGL7.00NC	-$0.60	-23.7%
MASSY	-$14.76	-14.8%

MARKET OVERVIEW

Last week, the majority of the JSE indices advanced (5/9), sustaining the positive trajectory from the prior week. The index with the highest gain was the JSE Junior Market Index (up 2.96%) partly supported by improvements from the second largest advancer in the market last week, CAC (+25.7%). Following, was the JSE USD Equities Index (+2.58 %), a performance which was partially buoyed by the 4.03% improvement in Transjamaican Highway Ltd (USD) and the 3.29% increase in Proven Group Ltd. (USD) shares. Consumer Price Index results released last week pointed to a sustained downward trend in inflation, where the rate fell to 6.2% for the 12 months to March 2023, from 7.8% in February. With inflation now very close to the upper-end of the BOJ's target range this is likely boosting investor confidence, as it is expected that less upward adjustments will be made to rates on fixed income instruments to compensate for inflation. This will eventually improve the relative attractiveness of stocks and further support positive movements in the indices as overall market activity increases.

The main declining stocks for the combined market were JMMB Group 7.00% VR JMD CR Preference Shares (23.72%) and MASSY Holding Ltd (14.8%). Price actions were driven by low volumes in the queue, and including the movement for the main advancers mentioned above, there was no significant news to support the changes. The overall market activity was influenced by trading in 120 stocks of which 59 advanced, 49 declined and 12 traded firm. Market volume amounted to 100,909,946 units valued at over $522,544,642.70. The overall market volume leaders were Transjamaican Highway Limited with 21,672,712 units (20.88%), Wigton Windfarm Ltd. Ordinary Shares with 13,445,318 units (12.95%) and Stanley Motta Ltd. Ordinary Shares with 9,788,167 units (9.43%).

at 4.5% in March, marking the first time in a year there was no increase, as its inflation has been on a more consistent downward path. Similarly, the Bank of Jamaica also held its policy rate steady at 7% (Figure 2), for the 6th consecutive month, as it allows the impact of prior rate hikes to permeate the economy. Considering the trend witnessed thus far, with inflation falling for its 4th consecutive month, inflation appears on track to meet the BOJ's projection for consumer price increases to settle within the 4% to 6% target range by the December 2023 quarter. At the current pace, the rate which was just 0.2% above the upper band of the BOJ's target range, could fall within the range before Q4 2023. The fall in commodity prices, international fertilizer prices[4], and the average of daily West Texas Intermediate (WTI) crude oil and Liquified Natural Gas (LNG) prices, have all trended below the Bank's forecast[5], supporting the softening of consumer prices.

Despite the progress made in taming inflation, there are risks that could prevent stronger deceleration or reverse some of the progress made. Rice, an important staple in meals, is currently facing the largest deficit in supplies in two decades due to Russia's invasion of Ukraine and unfavourable weather in major rice-growing countries[6]. A shock cut in oil output by the OPEC+[7] has thrown a spanner into the efforts to tame imported inflation from energy prices and we could see an uptick in fuel costs in April's inflation outturn. Additionally, inflation risks could rise due to the current drought which can impact agricultural prices, and labour market shortages, which may lead to wage inflation. Furthermore, geopolitical risks remain a concern. These factors could keep inflation elevated or even rising and potentially cause the BOJ to tighten policy further or take a longer time to reverse its current policy direction.

Despite these risks, the progress made with inflation, the pause in the BOJ rate hikes, and the anticipated conclusion of rate hikes by the US Fed, are creating opportunities for investors. In addition to the stock market opportunities shared last week, Government and select corporate bonds are also attractive as they are poised for some recovery in 2023 as interest rates peak. Global bonds and corporate bonds in defensive sectors can provide investors with stable assets that mitigate recession risks and maintain performance regardless of economic conditions. Both US and local interest rates are widely expected to peak this year, and in fact, local interest rates may have already peaked. With yields at their highest level in years, now is an opportune time for investors to consider purchasing bonds, as the increased demand and prices for bonds are expected to drive capital gains and generate a stronger total return in this environment of higher interest rates and falling inflation. While money market instruments still provide some opportunity as interest rates remain elevated, investors should keep in mind that they could continue to fall in the near term, as seen with the yields on BOJ Certificate of Deposits

> Considering the trend witnessed thus far, with inflation falling for its 4th consecutive month, inflation appears on track to meet the BOJ's projection for consumer price increases to settle within the 4% to 6% target range by the December 2023 quarter.

(CDs)[8], making it important to consider longer tenors to lock in rates and maximize returns. Alternative assets, including infrastructure assets and private equity investments, also remain attractive because of their portfolio diversification benefits, and above-average returns. Considering that the returns from alternatives are largely unrelated to traditional stocks and bonds, its presence in the portfolio will help to mitigate the risks from market volatility. Investors must exercise caution and choose investment options that align with economic and market conditions and offer stability in the face of ongoing uncertainties, in order to achieve stronger returns and build portfolio resilience.

4 International fertilizer prices which fell by an average monthly rate of 12.3% for January to February 2023

5 The average daily prices trended below the Bank's forecast period for January to February 2023

6 Rice production is expected to drop by 1.6% for the current season, before recovering in 2023/24, with international trade in rice forecast to decline by 5.2% in 2023, below the 2022 record high level.

7 The group announced on April 2, 2023 that they would cut production by more than 1.2 million barrels of crude a day, or more than 1% of world supplies, starting on May 1

8 The average yield for successfully allocated bids declined from 9.31% at the beginning of the year to 8.32% on April 19, 2023

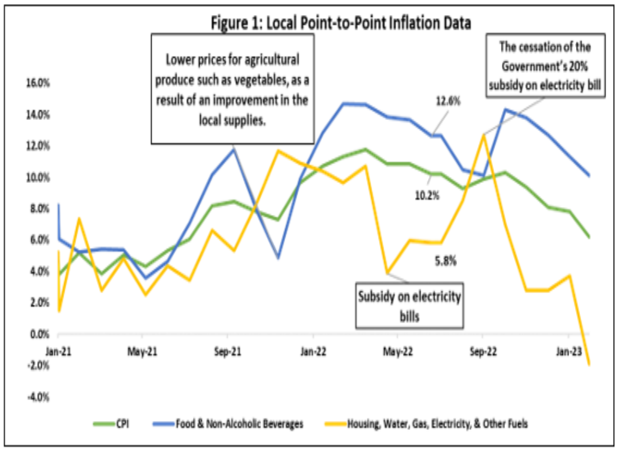


Figure 1: Local Point-to-Point Inflation Data

Source: STATIN

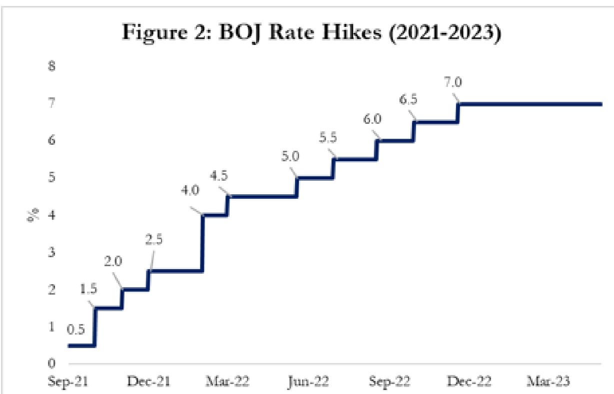


Figure 2: BOJ Rate Hikes (2021-2023)

Source: Bank of Jamaica (BOJ)

Foreign Exchange Market

The Jamaican dollar depreciated week over week by -0.35%, moving from a selling rate of $153.31 on April 14, 2023, to $153.85 on April 21, 2023. This slight depreciation reflects the lack of trading activity beyond the $154/US$ point by the larger players in the market due to expectations of future appreciation. Based on recent trends, the expectation is that BOJ will intervene which will cause the dollar to appreciate.

Selling	Close: 14/01/23	Close: 21/01/23	Change
J$/US$1	$153.31	$153.85	+$0.54
J$/CDN$1	$115.16	$118.94	+$3.78
J$/GBP£1	$191.56	$191.72	+$0.16

Global Bond Prices

Global bond prices declined week-over-week due to various activities and announcements such as higher jobless claims and hints at more rate hikes. Initial jobless claims for the week ending April 15 increased by 5,000 to 245,000 (consensus 242,000) while continuing jobless claims for the week ending April 8 increased by 61,000 to 1.865Mn. The key takeaway here is that continuing jobless claims are at their highest level since November 27, 2021, suggesting it is becoming more challenging to find new employment after a layoff. In addition, Cleveland Federal Reserve President Loretta Mester joined Fed presidents in signaling support for higher rates. St. Louis Federal Reserve President James Bullard also said that recent data showed that inflation remained enough of a threat to warrant more rate hikes. The notion that the economy is slowing but that Fed officials are still suggesting more rate hikes are needed to cool inflation is what has the broader market on edge about a sharper economic slowdown coming to fruition because of a Fed policy mistake. As a result of this activity, the 10 Year Treasury closed at 3.52% from 3.30%.

Bonds	Current Rating	Indicative Price	Yield	Recommendation
Sagicor Fin 2028 (5.30%)	BB-/ Positive	97.75	5.82%	BUY
TPHLTT 2029 (9.00%)	BB/ Stable	107	7.58%	BUY
MARFRIG 2026 (7.00%)	BB+/ Stable	100.5	6.81%	BUY
BERMUD 2027 (3.72%)	A2/ Stable	99.75	3.79%	BUY
PRIO 2026 (6.13%)	BB-/ Stable	96.2	7.51%	BUY
ALSEA 2026 (7.75%)	Ba3/ Stable	101	7.43%	BUY
DomRep (6.6%) 2024	BB/ Stable	101.75	4.19%	BUY
DomRep (5.88%) 2024	BB/ Stable	101.5	4.28%	BUY
DomRep (5.50%) 2025	BB/ Stable	101.5	4.59%	BUY
DomRep (6.88%) 2026	BB/ Stable	104	5.29%	BUY
DomRep (8.63%) 2027	BB/ Stable	107.75	6.39%	BUY
DomRep (5.95%) 2027	BB/ Stable	101.25	5.57%	BUY
DomRep (5.50%) 2029	BB/ Stable	97.5	6.01%	BUY
DomRep (6.00%) 2033	BB/ Stable	94.75	6.74%	BUY

Bonds	Current Rating	Indicative Price	Yield	Recommendation
PYPL (2.85% 2029)	A-/Stable	92.5	4.19%	BUY
JAMAN (7.63%) 2025N	B+/ Positive	104.75	5.30%	BUY
NFE 2025 (6.75%)	BB-/ Stable	98	7.68%	HOLD
NFE 2026 (6.50%)	BB-/ Stable	95.25	8.11%	HOLD
FRICON (7.7%) 2028	B+/ Stable	74	15.04%	BUY

GOJ Globals

Ticker	Maturity	Bid	Offer Yield*
JAMAN	2028	105.50	5.48%
	2039	121.00	5.94%
	2045	117.00	6.43%

*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 20th of April, a total of J$31.3B was in the market, as represented by the BOJ's aggregated current balances, down by J$1.76Bn from J$33.06Bn on April 13th. Last week's broker demand for JMD remained low, particularly for short-term funds. Rates were stable, ranging from 7% to 8.5% in the short term to 9% in the long run. Rates in the retail market also stayed consistent, with brokers offering 6.5% to 9% on JMD placements. We could see an ease in rates in coming weeks, following the recent decline in inflation.

The average yield from BOJ's competitive price auction decreased to 8.32% versus 8.41% in the prior week. The auction was oversubscribed, bids received totaled J$44.6B relative to the offer size of J$20B. The highest bid rate for full allocation was 8.35%, compared to 8.55% in the prior week, and coming down from 10.60% in January, likely reflecting the falling inflation rate and inflation expectations. Notably, the Government of Jamaica is reentering the market by reopening the GOJ 10.00% 2028 FR Benchmark Investment Notes. The offer volume is J$9Bn and the auction date is April 26. Due to the relatively small size of this offering it is not expected to have a significant impact on JMD liquidity.

The USD money market fluctuated little from week to week. Liquidity has been consistent, with most brokers generally willing to accept long-term money. Rates often remained within a restricted range, ranging from 4 to 5%. Rates in the retail area ranged from 3-4% for short-term placements to over 5% for long-term placements. There were no BOJ interventions in the foreign exchange market via B-FXITT during the week.

Dates to watch this week

International | Local

April 2023				
MON	TUE	WED	THUR	FRI
24	25	26	27	28
	US CB Consumer Confidence (Apr)	US Goods Trade Balance (Mar)	US GDP (QoQ) (Q1) CA GDP (MoM) (Feb) CA Budget Balance (YoY) (Feb)	
			JSE Dividend Payment ($0.128)	

Recommendations

Ticker	Closing Price (April 24)	P/E	Avg. Sector P/E	Current Recommendation
WISYNCO	$17.39	14.7x	14.7x	BUY
GK	$79.72	11.2x	10.5x	BUY
ELITE	$2.52	21.5x	20.4x	BUY
IPCL	$1.99	26.2x	20.4x	BUY
JBG	$35.95	9.5x	14.7x	HOLD
ECL	$5.48	21.8x	20.8x	BUY
CAR	$8.50	11.0x	14.7x	BUY
CPJ	$9.59	12.3x	14.7x	BUY
KW	$32.87	17.4x	14.6x	BUY
FESCO	$4.01	18.8x	16.0x	BUY
PBS	$1.90	42.6x	24.0x	HOLD
FONTANA	$8.32	14.6x	16.0x	BUY
TJHUSD	$0.01	21.7x	24.0x	BUY
TJH	$1.72	19.9x	14.6x	BUY
KEX	$11.39	23.2x	20.8x	BUY

Regional News

Barbados Looks to Latin America To Develop Tourism Sector (CariCris)

The Barbados government says it will open a new office in Panama City, Panama, as it moves to further deepen its relationship with Latin America (LATAM). The Tourism and International Transport Minister, Ian Gooding-Edghill, expects this to aid Barbados in continuing to strengthen the relationship and marketing efforts in the region and further demonstrate the confidence in this market for the growth of the tourism industry. He said with the return of the Copa Airlines flight connecting Barbados to LATAM countries, the destination has facilitated the arrivals of thousands of travellers, including those looking to enjoy the destination under Barbados' 12-month Welcome-Stamp visa.

Latin America is poised to be an important market for the growth of the tourism industry and trade relations with different partners in the region. Barbados has continued to see an increase in arrivals from Brazilian and Latin American travellers and is looking to continue its growth by welcoming more visitors through direct services via Copa Airlines. Barbados is heavily reliant on tourism for economic growth and job creation, this new extension will see the country benefiting from greater inflows which would drive up growth and help to put the country back to pre-pandemic levels.

Using Renewable Energy To Transform Guyana (CariCris)

Guyana, a new oil producer, is at the peak of a new era of development with over 11 billion barrels of proven oil reserves, one of the highest per capita levels in the world, with GDP growth rates and fiscal revenues rising enormously over time. As part of aggressive climate change promises, the government of Guyana is also implementing an ambitious transformation for domestic electricity generation as outlined in the country's Low Carbon Development Strategy (LCDS) 2030.

The LCDS 2030 sets out four interlinked objectives for Guyana, namely, value ecosystem services, investing in clean energy and stimulating low carbon growth; protecting against climate change and biodiversity loss; and aligning with global climate and biodiversity goals. One of the first strategies implemented was a partnership between its government and the government of Norway. The partnership is aimed at preserving the quality of Guyana's forests to help the nation meet its climate objectives and in the process, be paid for performance on this target resulting in earnings of over US$220Mn. Both countries will work together to provide the world with a relevant, replicable model for how REDD+ can align the development objectives of forested countries with the world's need to combat climate change. REDD+ is a framework created by the United Nations Framework Convention on Climate Change (UNFCCC) Conference of the Parties (COP) to guide activities in the forest sector that reduces emissions from deforestation.

With these funds earned, a significant project on renewable energy is being implemented, the Guyana Utility-Scale Solar Photovoltaic Programme (GUYSOL), which commenced in June 2022. This programme will help the nation migrate, in about three years, to a grid that uses 19% renewable energy. The programme is anticipated to replace costly and environmentally damaging fossil fuels like diesel and heavy fuel oil used to generate energy and enhance Guyana's LCDS goal of creating a cleaner and more diversified electrical generation matrix.

International News

Strong UK Pay Growth Boosts Chance Of Bank Of England Rate Rise (Reuters)

British wages rose faster than anticipated last month, in a move that economists judge may tip the Bank of England towards a further rise in interest rates next month, despite an unexpected increase in joblessness too. The Office for National Statistics (ONS) said the unemployment rate edged up to 3.8% - its highest since the second quarter of 2022 - rather than holding at 3.7%, as forecasted by economists in a Reuters poll.

Annual pay growth for the three months to January was revised up to 5.9% and held at that level for the three months to February - above all forecasts in the Reuters poll, which had pointed to a drop to 5.1%. Excluding bonuses, wage growth held at 6.6%. Sterling strengthened and government bond yields rose to a one-month high after the data release, as financial markets saw a more than 80% chance of the Bank of England (BoE) raising interest rates to 4.5% in May to help bring down inflation, which was above 10% in February.

High inflation meant that in real terms, average earnings in the three months to February were 4.1% lower than a year earlier, one of the biggest annual drops since ONS records started in 2001. Discontent about pay has been especially high in the public sector, leading to widespread industrial action since late last year. Junior doctors are the latest group to strike, seeking a 35% pay rise to compensate for below-inflation pay rises over more than a decade. "Progress in the labour market is painfully slow," said Tony Wilson, director of the Institute for Employment Studies. "Three years on from the start of the pandemic, it's clearer than ever that we are being left behind by other major economies."

Global Rice Shortage is Set to be the Biggest in 20 years (CNBC)

From China to the U.S. to the European Union, rice production is falling and driving up prices for more than 3.5 billion people across the globe, particularly in Asia-Pacific – which consumes 90% of the world's rice. The global rice market is set to log its largest shortfall in two decades in 2023, according to Fitch Solutions. A deficit of this magnitude for one of the world's most cultivated grains will hurt major importers, analysts told CNBC.

"At the global level, the most evident impact of the global rice deficit has been, and still is, decade-high rice prices," Fitch Solutions' commodities analyst Charles Hart said. Rice prices are expected to remain notched around current highs until 2024, stated a report by Fitch Solutions Country Risk & Industry Research. The price of rice averaged $17.30 per cwt (one hundredweight) through 2023 year-to-date, and will only ease to $14.50 per cwt in 2024, according to the report.

There's a short supply of rice as a result of the ongoing war in Ukraine, as well as bad weather in rice-producing economies like China and Pakistan. In the second half of last year, swaths of farmland in the world's largest rice producer China were plagued by heavy summer monsoon rains and floods. The likely impact of this is that it could put some upward pressure on food prices that have been on a downward trajectory for the past twelve months.

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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