CAPITAL MARKETS LIMITED

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Market Guide

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Bear Market - A period when stock prices are declining and market sentiment is pessimistic. Generally, a bear market occurs when a broad market index falls by 20% or more over at least two months.

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Seizing the Moment: Healthcare Companies Harness Innovation & Investment Opportunities

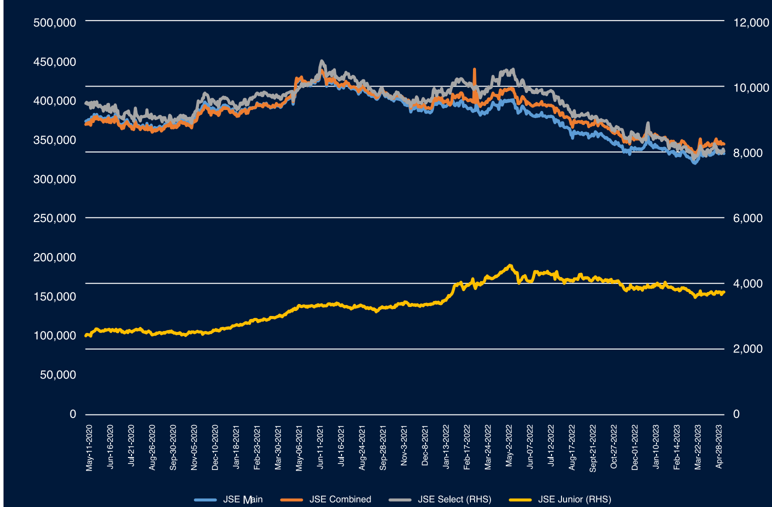
Jamaica's healthcare sector, while accounting for a small portion of the market capitalization of the JSE combined (0.50%) and Junior (4.96%) market indices, appears to be ripe for growth and full of untapped potential. Fuelled by an ageing populace, lifestyle and other non-communicable diseases (NCDs)[1], the demand for specialty healthcare services has soared. Despite various initiatives, the government's investment in the healthcare sector falls short of what is needed to meet the needs of the populace. This has created a significant gap in healthcare services and has created room for private healthcare companies to thrive. With lifestyle related diseases on the rise and the forecast for more viral diseases to spread globally, healthcare needs are rising, paving the way for a plethora of opportunities across the health sector's supply chain locally. These encompass digital healthcare (including diagnostic services), caregiving, and pharmaceutical distributions. While we do not have data around the forecast for growth for the local market, global private healthcare growth is forecasted at a compound annual growth rate (CAGR) of 9.4% through 2030[2]. Given the current dynamics in the local population, Jamaica could experience similar growth rates in its healthcare sector. Also, the recent financial performance of local healthcare companies demonstrates the potential for the sector as the majority of companies have experienced improved bottom-line growth fueled by increased demand for their services. With the shifting health landscape, brought on by the emergence of new and ever-evolving global health challenges, we foresee a heightened demand for medical imaging, pharmaceutical products, and medical supplies. Consequently, this will likely drive up earnings, prices, and valuations for companies in the sector. It also highlights the potential for more listings of healthcare companies, which would give investors an opportunity for greater diversification of their stock portfolio through greater investment opportunities in the sector. It could also increase the need for there to be a health care sub-index on the JSE Junior Market.

Most of the Junior Market companies in the health sector continued to exhibit strong financial performance, demonstrating healthy growth in profitability and

1Health and Wellness Minister Dr Christopher Tufton, in his contribution to the 2023/24 Sectoral Debate in the House of Representatives, noted that an analysis conducted outline that Jamaicans are dying younger (before 75 years old), due to illnesses that could have been screened for and treated.

2 Global Industry Analysts, Global Private Healthcare Industry, March 2023.

WEEKLY MOVEMENT IN INDICES



MOVEMENT IN INDICES

JSE Indices	Closing Levels	WoW % Change	YTD % Change
Combined Index	345,848.11	-0.31%	-6.2%
Main Market Index	333,707.63	-0.35%	-6.2%
Select Index	8,078.28	0.04%	-9.2%
Junior Market Index	3,765.62	0.04%	-5.5%

WINNERS & LOSERS (FOR THE WEEK ENDED MAY 12, 2023)

	$ Change	% Change
138SLVR	+$45.50	+43.5%
CAR	+$0.66	+33.2%
JMMBGL7.5	-$0.24	-19.2%
CPFV	-$7.87	-17.9%

MARKET OVERVIEW

Last week's trading session resulted in the majority of the JSE indices (5/9) advancing as money market interest rates appear to be cooling given that inflation pressures continue to abate. Lower interest rates, all other things constant, could improve stock valuations. The biggest advancing indices were the JSE Manufacturing & Distribution (+1.22%) and the JSE USD Equities (+0.72%). Recent financial releases from several manufacturing and distribution companies in both the Junior and Main Markets revealed commendable performances and an improvement in sentiment towards these stocks appears to be the main driver of the increase in the JSE Manufacturing & Distribution Index W-o-W. Large-cap companies within the index that released noteworthy results recently include, Wisynco, Seprod, and GraceKennedy. The improvement in the USD Index was boosted by upward movement in the TJH USD shares that gained 5.0% WoW. However, large market capitalization financial stocks (NCBFG, JMMBGL, SGJ, SJ, Barita, GHL, and PJAM) declined WoW, which was reflected in a 1.72% fall in the JSE Financial Index. The decline in the Financial Index is likely influenced by the continuing trouble in the US banking sector as well as expectations of softer earnings for financial companies this earnings season.

Market activity was influenced by trading in 126 stocks of which 47 advanced, 66 declined, and 13 traded firm. 138 Student Living Jamaica Limited Variable Preference Shares and Carreras, up 43.5% and 33.2% respectively, were the leading advancers for the week. Conversely, JMMBGL 7.5% (-19.2%) and Eppley Caribbean Property Fund SSC (-17.9%) experienced the largest declines WoW. The price changes continue to be a result of soft queues, implying that any changes in prices, even on small volumes, will result in large price changes. Volumes declined to 75,574,598 last week, significantly less than the 98,229,275 units and 144,771,490 units in the final week of April.

revenues. Increased demand, effective cost management and strategic adaptations were some of the factors driving success for key players in the industry. For its 2023 financial year, Image Plus Consultants Limited, a medical imaging services company and the most recent entrant on the Junior market, reported annual revenues of $1.09Bn, +40.7% above the previous year. This robust growth can be attributed to a higher patient case count, which was driven by the addition of on-call services in Q4 FY 2023 in Kingston and Ocho Rios, as well as increases in interventional studies and high-value CT scans. Prudent cost management, coupled with this revenue increase, led to a 150.7% boost in the company's bottom line. Indies Pharma Jamaica Limited also started 2023 on a similar high after recording quarterly year-over-year (YoY) increases in its net profit (+17.5%), after a 31.5% increase in 2022; on the back of higher revenues (+20.4%) from the continued recovery in its key markets from the impact of the pandemic. Additionally, modifications to inventory management practices and alternative logistical arrangements also helped to bolster its performance. Medical Disposables and Supplies Limited recorded a moderate increase in net profit to $31.95Mn from $28.97Mn the year before. This positive outcome was supported by modest revenue growth (7.5%) fueled by increased demand for pharmaceutical and consumer items. Against this background, investor demand and some stock price movements have moved in line with financial performances, reflecting the growing potential and success of the local health sector (see Table 1 below). In line with the improved earnings, Medical Disposables (4.82%) and Image Plus (9.0%) have both seen year-to-date stock price appreciation as of May 15, 2023, while Indies (-2.48%) saw a decline. Currently, Medical Disposables and Image Plus trade at a P/E multiple of 14.7x and 9.5x respectively, below the Junior Market Health Sector Average of 16.0x[3]. However, Indies Pharma trades above (18.5x). If company performances gradually improve, investor sentiment is expected to follow suit in the medium term, potentially resulting in increased P/E ratios for these companies and a subsequent rise in the overall sector average.

On the flipside, supply chain challenges highlight the vulnerabilities of some of the companies in the sector as they grappled with inventory issues resulting from supply bottlenecks. Companies affected have since increased their vigilance on the operations of the supply chain and the near expiry dates of goods to avoid out-of-stock situations as in the past. However, after experiencing moderate revenue gains in 2020 on the back of delays encountered in shipments; the extended downtime of major revenue-earning machines for Elite Diagnostic Limited during its second quarter along with significant increases in the depreciation expense of new machinery translated to the decline in operating profits (-81.0%) and overall profitability (-201.3%). Similarly, investor sentiments were reflected in the price movements of the company's shares after the release of its low net income performance. Given this, Elite recorded a year-to-date decline in its price (-25.40%). Notwithstanding, the start of 2023 has seen some more positive economic indicators such as cooling inflation rates and rebounding of timely shipments

Most of the Junior Market companies in the health sector continued to exhibit strong financial performance, demonstrating healthy growth in profitability and revenues. Increased demand, effective cost management and strategic adaptations were some of the factors driving success for key players in the industry.

which will benefit the healthcare sector as much, if not more, than other sectors.

With the increased demand for health services and supplies, the growth potential of these companies are significant and their management continue to adopt strategies to accelerate growth in efficiency and profitability. Acquisitions, new products/service offerings, and new locations are some of the avenues for growth, despite erratic global supply chain operations and the heavy dependence of the sector on imports. Image Plus' outlook remains positive as the company plans to not only expand to a new location, but also to introduce two new modalities (mammography and MRI) by Q3 FY2024, which are expected to contribute to the continued growth in case count. Similarly, Elite has expressed its intention to expand its physical footprint, which will allow it to reach more customers. For Medical

3 The average margin calculations included the following companies: Elite Diagnostic Limited, Image Plus Consultants Ltd, Indies Pharma Jamaica Limited and, Medical Disposables & Supplies.

Disposables, the integration of the operations of its subsidiary, Cornwall Enterprises Limited, continues to be a strategic priority and is expected to add additional benefits in sales and internal operations. Factors such as rising employment, and a projected decline in input prices for the supply of goods should also positively impact the sector's performance. Given these factors, as the Jamaican health sector continues to evolve, companies that adapt to the dynamic landscape through innovative strategies and partnerships will be well-positioned to capitalize on the growing demand for quality healthcare services, paving the way for sustained growth and investor confidence in the long term. This will add to the positive outlook for the sector and may even lead to potentially more public listings given the relative stability in growth and value stocks offered by the healthcare sector.

Table 1: Health Sector Financial and Stock Performance

Company	JSE Symbol	Revenue Growth	Net profit Growth	YTD Stock Price (% change)	P/E Multiple
Elite Diagnostic Limited	ELITE	20.34%	-201.25%	-25.40%	20.1x
Image Plus Consultants Limited	IPCL	40.69%	150.74%	9.00%	9.5x
Indies Pharma Jamaica Limited	INDIES	20.41%	17.54%	-2.48%	18.5x
Medical Disposables & Supplies Limited	MDS	7.53%	10.32%	4.82%	14.7x

Sources: JSE & NCB Research

Foreign Exchange Market

The Jamaican dollar depreciated 0.70% in the week ending May 12, moving from a selling rate of $154.59 on May 5, 2023, to $155.69 on May 12, 2023. This slight depreciation reflects the lack of trading activity beyond the $156/US$ point by the larger players in the market.

Selling	Close: 05/05/23	Close: 12/05/23	Change
J$/US$1	$154.59	$155.69	+$1.10
J$/CDN$1	$115.85	$115.32	-$0.53
J$/GBP£1	$194.14	$194.30	+$0.16

GOJ Globals

Ticker	Maturity	Bid	Offer Yield*
JAMAN	2028	108.50	4.80%
	2039	124.00	5.68%
	2045	120.00	6.20%

*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 May 11th, a total of J$30.9Bn was in the market, as represented by the BOJ's aggregated current balances. The aggregated closing current account balance decreased by J$8.8Bn from J$39.8Bn week over week. That being said, broker demand for JMD remained low, particularly for short-term funds. Rates in the retail market have also stayed consistent. There are current expectations that the GOJ will tap the market in late May based on their schedule for this fiscal year, which could cause the aggregate balance to fall further.

Money market yields continued on a downward trend with the average yield from BOJ's 30-day CD competitive price auction falling for the eighth week to 7.97% versus 8.00% in the prior week. The auction was oversubscribed; bids received totaled J$27Bn relative to the offer size of J$20Bn implying a bid-to-cover ratio of 1.35 down from 1.45 in the prior week. The highest bid rate for full allocation was 8.149%, unchanged from the prior week. The BOJ's 13-month CD auction on May 8th was also oversubscribed; bids received totalled J$32.7Bn, relative to the offer size of J$22Bn (bid-to-cover ratio of 1.49). The average yield from the auction was 7.99%, with the highest bid rate for full allocation being 8.176%. We believe that the average auction yield for both the 30-day and the 13-month CDs is representative of the direction in which interest rates are heading. Earlier this year, the 30-day CD yield was averaging above 9% with successful bids at 10% and above.

In the USD money market there were minor fluctuations week over week. Liquidity has been moderate, with most brokers generally willing to accept long-term money. Rates often remained within a range of between 4% and 5%.

Global Bond Prices

Global bond prices appreciated week-over-week as buyers outweighed sellers. The increased demand was due to several positive factors that affirmed investors' belief that interest rates were peaking and outweighed negative news regarding the US debt ceiling debate. Bond investors interpreted cooling producer and consumer prices as signalling that the Fed policy action to tame inflation was beginning to bear fruit and this together with signs that the labour market conditions were loosening raised hope that the Fed would keep rates steady when it meets in June, which augurs well for bond investors.

The US Producer Price Index for final demand increased 0.2% month-over-month in April (consensus +0.3%), relative to a fall of 0.4% in March. Prices for final demand less foods, energy, and trade services rose 0.2% in April after inching up 0.1% in March. On a year-over-year basis, total PPI was up 2.3% versus up 2.7% in March. The key takeaway was that producer inflation continues to moderate and could signal to the Fed that a rate pause may be in the cards sooner rather than later.

Secondly, initial jobless claims for the week ending May 6 increased by 22,000 to 264,000 (consensus 247,000). Continuing jobless claims for the week ending April 29 increased by 12,000 to 1.813 million. This outturn meant that initial claims reached their highest level since October 30, 2021, tracking in a direction that reflects a labour market that is becoming less tight. This is good news for investors as the labour market is a key determinant in the Fed's decision regarding rates.

Thirdly, total CPI (Consumer Price Index) was up 0.4% month-over-month, and up 4.9% year-over-year, versus up 5.0% in March. Core-CPI, which excludes food and energy, was also up 0.4% month-over-month and up 5.5% year-over-year, versus up 5.6% in March. The index for shelter (+0.4%) was the largest contributor to the increase in total CPI and core CPI; however, the 0.4% increase was the smallest increase for the shelter index since January 2022.

The recent inflation and labour market data are raising expectations that central banks will end rate hikes by mid-2023. With yields being attractive - the highest they have been in many years - and inflation expected to trend lower, there are opportunities to pick up bonds. This increased demand should push up bond prices from the lows of 2022. This can add capital gains to interest payments, thereby generating a stronger total return for bond portfolios.

Bonds	Current Rating	Indicative Price	Yield	Recommendation
Sagicor Fin 2028 (5.30%)	BB-/ Positive	98.00	6.26%	BUY
TPHLTT 2029 (9.00%)	BB/ Stable	107.25	5.55%	BUY
MARFRIG 2026 (7.00%)	BB+/ Stable	98.00	8.02%	BUY
BERMUD 2027 (3.72%)	A2/ Stable	99.75	3.79%	BUY
PRIO 2026 (6.13%)	BB-/ Stable	98.00	7.10%	BUY
ALSEA 2026 (7.75%)	Ba3/ Stable	101.75	7.18%	BUY
DomRep (6.6%) 2024	BB/ Stable	102.00	3.64%	BUY
DomRep (5.88%) 2024	BB/ Stable	101.25	4.46%	BUY
DomRep (5.50%) 2025	BB/ Stable	101.50	4.56%	BUY
DomRep (6.88%) 2026	BB/ Stable	104.25	5.16%	BUY
DomRep (8.63%) 2027	BB/ Stable	107.50	6.43%	BUY
DomRep (5.95%) 2027	BB/ Stable	101.50	5.49%	BUY
DomRep (5.50%) 2029	BB/ Stable	97.50	6.02%	BUY
DomRep (6.00%) 2033	BB/ Stable	95.25	6.67%	BUY
PAYPAL (2.85% 2029)	A-/Stable	92.50	6.56%	BUY
JAMAN (7.63%) 2025N	B+/ Positive	105.00	5.12%	BUY
NFE 2025 (6.75%)	BB-/ Stable	98.00	7.76%	HOLD
NFE 2026 (6.50%)	BB-/ Stable	94.50	9.35%	HOLD
FRICON (7.7%) 2028	B+/ Stable	77.00	14.1%	BUY
PROMERICA 2024 (9.70%)	B/ Positive	104.25	7.59%	BUY
BARCLAYS 2026 (5.75%)	A1/ Stable	102.75	4.82%	BUY

Dates to watch this week

International Local

May 2023

MON	TUE	WED	THUR	FRI
15	16	17	18	19
Bank of Canada Financial System Review	GB Unemployment Rate (Mar)			Bank of Jamaica Policy Rate Decision
Inflation Release	CAD CPI (YoY) (MoM) (Apr)			

Recommendations

Ticker	Closing Price (May 15)	P/E	Avg. Sector P/E	Current Recommendation
WISYNCO	$17.37	13.7x	14.5x	BUY
GK	$79.83	10.7x	10.5x	BUY
IPCL	$2.18	9.5x	15.7x	BUY
JBG	$34.23	9.0x	14.5x	HOLD
ECL	$4.92	18.6x	18.2x	BUY
CAR	$8.43	10.9x	14.5x	BUY
CPJ	$9.58	15.4x	14.5x	BUY
KW	$32.50	17.2x	14.7x	HOLD
FESCO	$4.12	19.4x	13.3x	BUY
PBS	$1.85	38.6x	23.5x	BUY
FONTANA	$8.83	14.5x	13.3x	BUY
TJHUSD	$0.01	21.7x	23.5x	BUY
TJH	$2.01	19.9x	14.7x	BUY
KEX	$10.62	21.7x	18.2x	BUY
SOS	$15.20	15.4x	13.3x	BUY

Regional News

Inflation Expected To Ease Further In Key LatAm Markets, But Not Argentina (Fitch Solutions)

In the coming week, Fitch Solutions will be watching inflation prints from several key markets, namely Mexico, Chile, Brazil and Argentina. In Mexico, it is expected that headline CPI growth will continue cooling from 6.9% y-o-y (0.3% m-o-m) in March, on the back of favourable base effects. Fitch still expects Banco de México to hike again by 25bps to a terminal rate of 11.50% in May, but risks to this forecast are skewed to the downside. In terms of the longer-term trajectory for inflation, Fitch anticipates that it will land at 5.1% by the end of 2023, paving the way for 50bps of easing by December. In Brazil, inflation came in at 4.7% y-o-y (0.7% m-o-m) in March, a notable slowdown that was mostly due to base effects. However, an acceleration in prices in the second half of 2023 is expected as base effects turn. Headline CPI in Brazil is expected to end the year at 5.8%, though Fitch still expects the Banco Central do Brasil will lower the Selic rate from 13.75% currently to 12.75% by the end of 2023. The outlook for Argentina is much gloomier. Fitch anticipates that in Argentina, prices will continue climbing from 104.3% y-o-y (7.7% m-o-m) in March, as the inflation spiral continues. Argentina nosedived into an economic crisis in 2018 after the peso lost half its value and it has never fully recovered. Annual inflation has remained above 50% for majority of the time since then and reached 103% in February. Additionally, the country, which is a major global grains exporter, is grappling with one of its worst droughts in history knocking billions off the economy from lost exports, thereby fueling domestic prices. Given these factors, there is no expectation that Argentine CPI growth will see significant easing this year. Given this, Fitch plans to make an upward revision to its current inflation average forecast of 102.8% in the coming days.

IMF Deal To Anchor Fiscal Consolidation In Barbados (Fitch Solutions)

Fitch forecasts that Barbados' fiscal deficit will narrow to 1.4% of GDP in FY2023/24 (April 2023 – March 2024) and 1.0% in 2024/25, from an estimated 2.1% of GDP in FY2021/22. The agency anticipates that the Barbadian government will continue to prioritise fiscal consolidation under the framework of the Barbados Economic Recovery and Transformation (BERT) 2.0 plan, which was approved in October 2022, and a US$110Mn, three-year Extended Fund Facility (EFF) agreed with the IMF in December 2022. A primary goal of both the BERT 2.0 and IMF deal is to gradually increase Barbados' primary budget surpluses over the coming years to reduce the country's debt burden. As a result, public spending increases will be limited in the coming years, while above-trend GDP growth will promote robust revenue growth. In accordance with these developments, the government posted a primary surplus equal to 2.7% of GDP in FY2022/23, surpassing its initial target of 2.0% of GDP and compared to a 0.9% deficit in FY2021/22. Based on these factors, Fitch expects that this primary surplus will increase to 3.2% and 4.0% of GDP in 2023/24 and 2024/25, respectively.

International News

UK economy grows by 0.1% in the first quarter but inflation continues to weigh (CNBC)

The U.K. economy grew by 0.1% in the first quarter, following an unexpected contraction in March, official figures showed on Friday. Economists polled by Reuters had forecast the same growth figure for the first three months of the year, but expected stagnation in March, versus the 0.3% fall recorded. The construction sector expanded by 0.7%, while manufacturing performance went up by 0.5% in the first quarter, with 0.1% growth logged in services and production. On a monthly basis, services dropped by 0.5% in March, particularly because of declines in wholesale and retail trade and motor repairs. The national statistics agency said there was no growth in real household expenditure, as incomes remained under the squeeze of higher prices. U.K. growth has been muted so far this year, coming in at 0.4% in January and flat in February, after the economy narrowly avoided a technical recession in 2022. Inflation remains a more severe blight on the U.K. than on other major economies, with the March reading still above 10%. The Bank of England on Thursday raised interest rates by 25 basis points to 4.5% making its twelfth consecutive hike in an attempt to combat stubbornly high prices. More optimistically, the central bank said it no longer expects the U.K. to enter a recession this year, despite previously forecasting its longest-ever recession. The Bank of England now forecasts the U.K. GDP will be flat over the first half of this year, growing 0.9% by the middle of 2024 and 0.7% by mid-2025.

Yellen says it should be 'unthinkable' for the U.S. to default on its debt (CNBC)

Treasury Secretary Janet Yellen said the idea of U.S. lawmakers letting the nation default on its debt should be "unthinkable." Speaking to reporters ahead of the G-7 finance ministers and central bank governors meetings in Niigata, Japan, Yellen said she was aware of former President Donald Trump's suggestion for Republican lawmakers to let the nation default. "The notion of defaulting on our debt is something that would so badly undermine the U.S. and global economy that I think it should be regarded by everyone as unthinkable," she told reporters. "America should never default." When asked about steps the Biden administration could take in the wake of a default, Yellen emphasized that lawmakers must raise the debt ceiling. "There is no good alternative that will save us from catastrophe. I don't want to get into ranking which bad alternative is better than others, but the only reasonable thing is to raise the debt ceiling and to avoid the dreadful consequences that will come," she told reporters, noting that defaulting on debt can be prevented. "There is no good reason to generate a good crisis of our own making. The U.S. Congress has raised or suspended the debt limit almost 80 times since 1960. I urge it to act quickly to do so once again," she said. Yellen's comments come after she warned of an "economic catastrophe" if the U.S. fails to raise its debt ceiling in the coming weeks. She has also previously warned that the U.S. could fail to meet its debt obligations sooner than expected – and it may run out of measures as early as June 1. Media reports last week cited a Treasury official who said her trip to Japan will be cut short to make sure she can continue taking part in efforts to address the debt ceiling issue. She told journalists on Thursday, "Another meeting is scheduled for next Friday and staff ar working to see if they can resolve this, so I'm very hopeful the differences can be bridged and the debt ceiling will be raised."

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