NCB Capital Markets Limited

July 11, 2023

Market Guide

THIS ISSUE

Social Stock Exchange – A regulated platform that brings together social enterprises and donors. It facilitates the development of the social capital market by providing a state-of-the-art virtual environment and venue in which socially responsible investors and people interested in contributing and improving the quality of life of targeted communities and the general society, can invest in wholesome projects such as social protection and inclusion programmes and job readiness and skills training. The exchange also facilitates the listing of social stocks; however, they are not tradable or transferrable.

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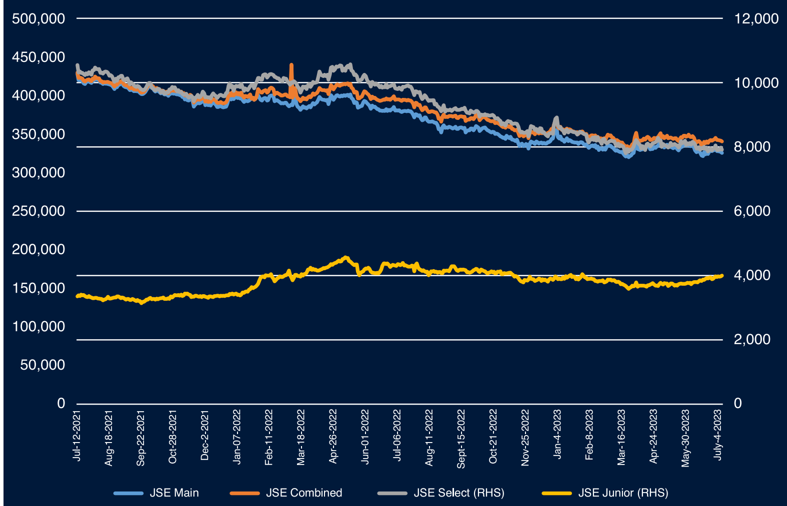
The Heat Is On, But So is the Tourism Rebound

With seasonal lines becoming blurred as summer travel to the Caribbean hits new post pandemic highs, tourist-dependent countries and companies are set to benefit from the high demand expected for Summer 2023. Before the pandemic, most travelers to the Caribbean typically sought a getaway from the cold winter months extending from December to April. Following this tourist demand would taper off. However, more recently, post-pandemic trends show more visitors gravitating to the small island paradises around the summer for numerous reasons. Some of the reasons include: the desire to travel after almost 2 years of home confinement because of the pandemic, and ability to enjoy the region without the luxury price tag, as plane and hotel costs are cheaper during the summer. Russia's war on the Ukraine also bolstered the trend last year as many Americans opted not to travel to Europe for the summer. More flexible work schedules thanks to remote and hybrid work models coming out of the pandemic are also fueling the possibility of and demand for year-round travel. Although the country is still recovering from COVID-19, this trend seems visible in Jamaica as well. Since the partial and eventual full reopening of the economy, tourist arrivals in the summer period have contributed more to overall arrivals in Jamaica[1] (see Figure 1). Thus far, summer appears on target to hit a high for 2023 as air travel to the Caribbean has increased 48%[2] reflected in a rise in booked flights for the period from June through August 2023 relative to the corresponding period in 2019. While the previously mentioned drivers will continue to boost demand this summer, there has also been a softening of airfares as pent-up demand facilitates airline expansions and capacity and other inflating variables like fuel costs steadily temper. The still strong labour markets in most of the source countries, and falling inflation rates should also support demand for our tourism products and visitor expenditure as purchasing power is improved. This positive outlook for summer tourism should in return continue to fuel greater earnings for both tourism-reliant countries (e.g. Bermuda, Dominica Republic, Jamaica, Barbados) and tourism sector companies (e.g. Knutsford Express, Express Catering) alike. That being said, although higher tourist arrivals augurs well for growth of these entities, it may be weakened by headwinds affecting consumer demand in the near term.

Strong pent-up demand, cheaper airfares, a slow recovery in outbound air traffic to Europe, and more flexible work schedules will continue to support the rebound and outperformance of the domestic tourism industries of many Caribbean and neighbouring countries this summer. Destinations in Jamaica, Dominican Republic, and other 'luxury islands' such as Bermuda and others have become increasingly popular as the off-peak tourist seasons create cheaper accommodation rates, which fuel travel. This popularity is expected to push visitor arrivals and earnings higher in summer 2023. Jamaica for example, after recording tourism earnings on par with 2019 records in 2022 (US$3.7Bn), is set to welcome approximately 1.2 million visitors (+27.2%) reflecting a

WEEKLY MOVEMENT IN INDICES



MOVEMENT IN INDICES

JSE Indices	Closing Levels	WoW % Change	YTD % Change
Combined Index	341,482.60	-1.4%	-7.4%
Main Market Index	326,625.92	-1.6%	-8.2%
Select Index	7,938.81	-1.6%	-10.8%
Junior Market Index	4,011.23	0.7%	0.6%

WINNERS & LOSERS (FOR THE WEEK ENDED JULY 7, 2023)

	$ Change	% Change
CBNY	+$0.54	+62.1%
138SLVR	+$22.58	+27.4%
FIRSTROCK USD	-$0.02	-27.3%
JPS 7% Pref	-$17.67	-26.1%

MARKET OVERVIEW

In contrast to last week when 8 of 9 indices advanced, trading activity during the first week of July resulted in the majority of the indices (8/9) declining, except for the JSE Junior Market Index. The JSE USD Equities Index and the JSE Financial Index had the largest week over week (WoW) decline, falling by 4.91% and 2.06% respectively. Proven Group Ltd USD (-14.4%) and TransJamaican Highway USD (-5.1%) primarily drove the falloff in the USD Equities Index, while the Financial Index was largely influenced by Sagicor Group Ltd (-3.3%). There was no direct news to support the movement in these stock prices. The lone advancing index, the Junior Market Index (up 0.68%), was partially influenced by a 10.7% WoW increase in Fosrich Company Ltd and a 4.4% WoW increase in the price of Lasco Manufacturing Ltd. While there is not direct news to support the appreciation, it is worthwhile to note that Fosrich's rights issue is set to open this week (July 11), and will allow existing shareholders to acquire new shares at $2.50. Notably, the Junior market index is also the only index that has appreciated year to date as a result of an appreciation of some large market cap stocks such as LASD (up 38.6%), FTNA(25.9%) and LASM (up 13.5%).

Overall market activity resulted from trading in 120 stocks of which 38 advanced, 71 declined and 11 traded firm. Market volume amounted to 171,686,879 units valued at over $1,069,981,229.40. The volume leaders were JMMB Group 7.25% VR JMD Preference Shares with 50,641,419 units (29.00%), TransJamaican Highway Limited with 16,234,823 units (9.30%) and Ciboney Group Limited with 14,213,770 units (8.14%).

1. Arrivals during the summer period were 11.1% above the pre-pandemic levels in 2022, an assessment of the December to March 2023 period of the winter season shows that arrivals are also 10.7% below 2019 levels.

2. ForwardKeys for the Caribbean Hotel and Tourism Association, March 2023 Report.

total of approximately US$1.5Bn in earnings, between June and August 2023. These expectations are backed by an 87.5% load factor[3] of the 1.4 million airlift seats already secured for the period (+16% over 2019). Additionally, new flights have also been added to the island, for e.g. Norse Atlantic Airways introducing low-cost direct flights from London to Jamaica, which should add to the number of arrivals recorded. Tourism officials in the country have also expressed intentions to remain proactive with partners in key markets to ensure this momentum is maintained. Jamaica's tourism minister noted expectations for a large influx of arrivals in the latter half of July backed by festivals such as Reggae Sumfest. Similarly, the Dominican Republic has taken a strategic approach with the nation's Tourism Board currently evaluating the reduction of taxes on airplane fuel and fuel prices to increase air transportation starting June. This should continue to boost arrivals after recording a 17% increase in visitors between January and May of this year. Furthermore, outside of the general demand driver, Bermuda after noting a relatively challenging year in 2022 as Covid-19's impact still lingered in the tourist market has committed to prolong initiatives and creative strategies to promote the island such as Restaurant Week, 3D billboards situated in Times Square, New York etc., which should support the increase in arrivals in Q2 2023 after recording an 88.1% increase in leisure air arrivals for Q1 2023. The favourable increases in year-to-date tourism activities, the improved outlook for the summer period, and by extension the remainder of 2023 bode well for domestic economic activities in these counties as tourism remains a main sector in their economies. This will lead to higher employment levels and private consumption for locals; robust economic growth[4] and domestic stability by containing their fiscal balance over the medium term. These forecasts have resulted in all these countries having positive (Jamaica: Fitch B+) or stable (Bermuda: S&P A+, Dominican Republic: Fitch BB-) outlooks from rating agencies, which adds to improved investor sentiment in the bond market for these bonds. This could potentially lead to the rallying of bond prices in the near term if the performances of these sovereigns are in line with expectations.

That being said, sovereigns aren't the only ones realizing gains from the influx in tourist arrivals. Companies listed on the Jamaica Stock Exchange, like Knutsford Express (KEX) and Express Catering Limited (ECL), have also seen significant improvements in their operating performance aided by the strong recovery in local tourism activity. Growth trends, including the rebound in tourist travel, particularly tourists finding a convenient, safe and reliable means of transportation in Knutsford Express, led to net profit growth of 75.9% for the company. Notably, the increase occurred despite the temporary online disruption faced by the company after the upgrade of its online booking platform at the time. Similarly, in its third quarter ended February 28, 2023, Express Catering Limited recorded revenues amounting to US$6.04Mn (+73.5%) given from its successful efforts in converting airline passengers into customers at its airport eateries. This was the highest revenue since its inception and saw ECL recording a significant increase in net profit attributable to shareholders of 853.7% to US$1.15Mn.

The outlook for the sector as well as company-specific plans should help to sustain positive financial performance and investor sentiments around KEX and ECL. We anticipate that consumer demand will remain strong around the core business lines for both companies in the new quarter and for the rest of the year as they

The Caribbean has morphed from being just a winter destination, to a year-round destination and tourist-dependent countries and companies are set to benefit from the high demand expected for Summer 2023.

continue to improve their individual service offerings. Knutsford and Express Catering will also continue to build out their operations in the near term, which should in turn improve their capacity, if this growth in all-year-round tourism activity is maintained in the coming years. Knutsford Express intends to roll out about two or three double-decker units (two-storey buses) to increase the number of passengers per destination, while maintaining comfort and consumer satisfaction. This should lead to greater cost efficiency, passenger volumes, and revenues over time. For its part, Express Catering's renovation of its food court and expansion of its dining offerings should also continue to support its near to long-term growth and profits by improving the overall access to the various retail offerings of the company. These companies' improved operating performance year to date, and expected performance should continue to fuel investors' willingness to purchase KEX and ECL shares, resulting in higher stock prices, and a gradual ascension to pre-pandemic price-to-earnings (P/E) multiples. Investor sentiments have thus far contributed to a year to date increase of 6.0% and 31.1% in ECL and KEX's stock prices, respectively. Knutsford Express trades at a P/E multiple of 23.6x, still below its pre-pandemic multiple of 32.7x[5] and current peer average of 26.5x. Express Catering currently also trades at 20.7x below

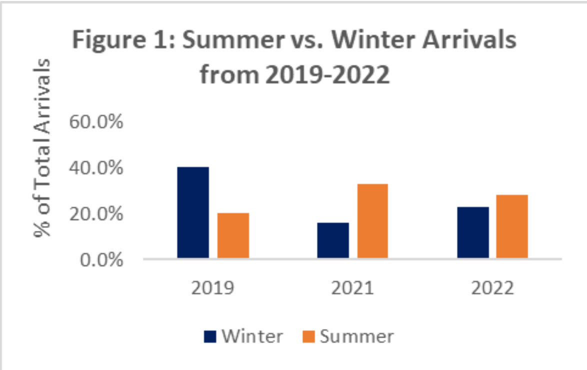
3. The load factor is a metric used in the airline industry that measures the percentage of available seating capacity that has been filled with passengers. A high load factor indicates that an airline has sold most of its available seats.

4. Fitch Solutions forecasts for 2023 Real GDP growth: Bermuda (2.3%), Dominican Republic (3.5%), and Jamaica (2.8%).

5. Bloomberg Terminal

its pre-pandemic ratio of 25.3x and peer average of 26.5x.

That being said, although there are signs that this year will be another strong summer for Caribbean tourism, there are headwinds that could lead to a lower than expected outturn. While the tourism inflow augurs well for both countries and companies, these gains could be weakened if a recession at the end of 2023 in key markets like the United States and Europe, or a sharper downturn in global growth materializes. We expect this summer high season to prolong throughout the medium term given the lack of a clear end time to the current global and economic tensions currently occurring. However, it remains to be seen whether these strong summers will continue long-term.



Source: : Jamaica Tourist Board & NCBCM Research

Foreign Exchange Market

The Jamaican dollar depreciated week over week by 0.54%, moving from a selling rate of $154.62 on June 30, 2023, to $155.46 on July 7, 2023. Stronger demand for the US currency from the Energy and Distribution sector, as well as investors wanting to invest in foreign assets drove the depreciation. The BOJ also intervened in the market via B-FXITT through the sale of US$30Mn.

Selling	Close: 6/30/23	Close: 7/7/23	Change
J$/US$1	$154.62	$155.46	+$0.83
J$/CDN$1	$117.52	$116.76	-$0.76
J$/GBP£1	$197.24	$199.67	+$2.43

Global Bond Prices

Last week the global bond markets softened due to uncertainties around monetary policy decisions to be taken by the Federal Reserve in the face of a robust economy. Bond prices were impacted by several factors throughout the week, including news of the ISM Services Index, which increased from 50.3 to 53.9 in June, surpassing the expected rise to 51.2 and a four-month high. In the details of the report, new orders rose from 52.9 to 55.5, and the backlog of orders increased three points to 43.9 in June. Secondly, June's unemployment data indicated that the unemployment rate remains unchanged at 3.6%. This data highlights that while inflation is gradually moving in the right direction, more work is needed to tame inflation. Consequently, the bond markets remained volatile given the prevailing uncertainties. The Fed funds futures market predicts that a 25-basis points rate hike is coming later this month on July 25-26, pricing in a 96.1% probability of such a move. Notably, there is now a 30.8% probability of another 25-basis points rate hike in September up from 18.1%, according to the CME FedWatch Tool.

Also supporting the possibility of more rate hikes, according to the June 14 FOMC meeting minutes released last week, at least some Fed officials were against the idea of pausing in June. While the decision was ultimately delivered as "unanimous," some participants indicated they favoured raising the target range for the federal funds rate by 25 basis points at this meeting or that they could have supported such a proposal. Even those officials in favour of a temporary halt last month noted that additional increases would likely be appropriate with most highlighting the need for clear communication of such a message. Officials underscored the temporary nature of the June decision and the need to highlight further work to tame inflation. They were seemingly optimistic regarding the "resilience" of the U.S. economy, but noted concerns regarding the persistent strength in the labour market as a catalyst for ongoing wage inflation.

The price of the 10 Year Treasury fell during the week resulting in a increase in the yield to 4.06% from 3.82% as investors continued to sell treasuries on the above news.

Bonds	Current Rating	Indicative Price	Yield	Recommendation
Sagicor Fin 2028 (5.30%)	BB-/ Positive	96.5	6.15%	BUY
TPHLTT 2029 (9.00%)	BB/ Stable	106.25	7.74%	BUY
BERMUD 2027 (3.72%)	A2/ Stable	97.25	4.75%	BUY
PRIO 2026 (6.13%)	BB-/ Stable	98.75	6.57%	BUY
ALSEA 2026 (7.75%)	Ba3/ Stable	101.75	7.16%	BUY
DomRep (6.6%) 2024	BB/ Stable	101.25	4.22%	BUY
DomRep (5.88%) 2024	BB/ Stable	101.25	4.18%	BUY
DomRep (5.50%) 2025	BB/ Stable	100.75	4.99%	BUY
DomRep (6.88%) 2026	BB/ Stable	103.00	5.59%	BUY

Bonds	Current Rating	Indicative Price	Yield	Recommendation
DomRep (8.63%) 2027	BB/ Stable	107.00	6.49%	BUY
DomRep (5.95%) 2027	BB/ Stable	100.50	5.79%	BUY
DomRep (5.50%) 2029	BB/ Stable	96.00	6.36%	BUY
DomRep (6.00%) 2033	BB/ Stable	94.50	6.79%	BUY
PYPL (2.85% 2029)	A-/Stable	90.5	4.84%	BUY
Jaman (7.63%) 2025N	B+/ Positive	104.25	5.50%	BUY
NFE 2025 (6.75%)	BB-/ Stable	96.00	8.81%	HOLD
NFE 2026 (6.50%)	BB-/ Stable	92.00	9.43%	HOLD
FRICON (7.7%) 2028	B+/ Stable	80.75	13.04%	BUY
PROMERICA 2024 (9.70%)	B/ Positive	104.00	4.73%	BUY
BARCLAYS 2026 (5.75%)	A1/ Stable	99.00	6.10%	BUY
MARFRIG 2026 (7.00%)	BB+/ Stable	99.50	7.19%	HOLD
UNICOMER 2026 (7.88%)	B+/ Negative	101.75	4.09%	SELL

GOJ Globals

Ticker	Maturity	Bid	Offer Yield*
JAMAN	2028	106.50	5.20%
	2039	121.00	5.92%
	2045	117.00	6.42%

*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%
PBS	2025	6.50%	101.00	6.13%

Money Market

Last week liquidity in the JMD money market contracted, while USD money market liquidity continued to fluctuate. As of July 6th, a total of J$10.4B was in the market, as represented by the BOJ's aggregated current balances. This was a J$3.90B reduction from J$14.3B the previous week. The decline was likely influenced by the BOJ intervention via the B-FXITT auction in the foreign currency market. A total of J$4.6B was removed from the market through the sale of US$30M. USD money market liquidity continued to fluctuate week over week. On the demand side, broker demand for JMD remained relatively moderate, particularly for short-term funds, while broker market demand for USD continues to increase for longer-tenured funds.

As it relates to money market rates and upcoming opportunities, the yield on 30-day CDs continues to rise, while GOJ is set to enter the market this week to raise $2.2Bn. The average yield from the BOJ's competitive price auction increased to 10.86% relative to 9.98% in the prior week. The auction was slightly undersubscribed as bids received totaled J$21.42B relative to the offer size of J$21.5B. The bid-cover ratio stood at 0.9963 relative to a ratio of 1.1400 in the prior week. The highest bid rate for full allocation was 15.93%, which is also an increase from the 12.248% recorded in the prior week. The next auction date for the Bank of Jamaica 30-day CD will be held on the 12th of July.

Additionally, the GOJ will intervene in the market with a tender offer for a total of $2.2 billion in T-bills. The three (3) tenors up for auction each have an offer size of $800 million for the 273-day tenor and JMD $700 million for the 91 day and 182 day tenors, respectively. The subscription date for the auction is July 12 and will settle on the 14th.

Dates to watch this week

International | Local

JULY 2023

MON	TUE	WED	THUR	FRI
10	11	12	13	14
SOS Dividend Payment ($0.20)	GBP Unemployment Rate (May 2023)	USD Core CPI (MoM) (YoY) (June 2023	USD Core PPI (MoM) (YoY) (June 2023)	LASD Dividend Payment ($0.10)
		BOC Interest Rate Decision	GBP GDP (MoM)(YoY) (May 2023)	LASM Dividend Payment ($0.12)

Recommendations

Ticker	Closing Price (July 11)	P/E	Avg. Sector P/E	Current Recommendation
WISYNCO	$18.00	14.2x	13.6x	BUY
GK	$77.33	10.4x	10.2x	BUY
IPCL	$2.29	10.0x	16.8x	BUY
JBG	$35.01	7.9x	13.6x	HOLD
ECL	$5.20	20.7x	26.5x	BUY
CAR	$8.05	10.7x	13.6x	BUY
CPJ	$10.06	16.2x	13.6x	BUY
KW	$29.61	15.6x	14.7x	HOLD
FESCO	$3.98	17.6x	16.2x	BUY
TJHUSD	$0.02	21.7x	16.8x	BUY
TJH	$2.56	19.1x	14.7x	BUY
KEX	$11.65	23.8x	19.9x	BUY
SALF	$2.80	17.5x	13.6x	SELL
INDIES	$3.17	21.1x	16.8x	HOLD
LASM	$4.36	8.7x	19.3x	BUY

Regional News

IMF says Dominica's Economy is Expanding Strongly (IMF)

The executive board of the International Monetary Fund (IMF) following the conclusion of the 2023 Article IV Consultation says the Dominican economy is expanding strongly but faces headwinds. Severely affected by the pandemic, real GDP (gross domestic product) growth is estimated to have rebounded during 2021–22, driven by construction of climate-resilient infrastructure, a pickup in tourism following the full lifting of mobility restrictions, and a substantial rise in agricultural output. It said, however, the scarring effects from the pandemic are expected to weigh on growth going forward, while tight fiscal space and volatile Citizenship by Investment (CBI) revenue may constrain much needed public investment, including to deal with frequent and costly climate shocks.

The IMF noted that the real GDP growth is estimated to have reached 6.9 per cent in 2021 and 5.7 per cent in 2022, driven by construction of climate-resilient infrastructure, a partial rebound in tourism, and a substantial rise in agricultural output. It said high global commodity prices and shipping costs pushed inflation up to an estimated 7.5 per cent in 2022, despite mitigating fuel price policies. The current account deficit remained elevated, at 26 per cent of GDP, due to unfavourable terms of trade, large imports of investment goods, and incomplete recovery in tourism receipts. But it acknowledged that fiscal space remains tight. High CBI revenue, nearing a record 30 per cent of GDP in recent years, has supported public investment and crisis response measures. The IMF said that the economic outlook is positive, predicated on a continued expansion in tourism and implementation of the country's economic modernization and resilience building agenda

Latin America's Bonds and Currencies Lure Yield-hungry Investors (Financial Times)

Big asset managers are flocking to Latin American bonds and currencies, attracted by the region's high interest rates, low inflation and more resilient economies than many had expected. Latin America is home to five of the world's top eight performing currencies this year, which have benefited from the region's central banks acting early and decisively by raising rates and keeping them high even as inflation recedes. Total returns of local bonds have also surged ahead of their developed market peers; as chunky inflation-adjusted yields draw the attention of investors. Greer, whose portfolio is overweight in local currency bonds in Brazil, Mexico, Colombia, Peru and Uruguay, said that for both government debt and pure currency exposure, Latin America is "the place to be". An exception, he said, was Argentina, which has been cut off from access to international markets after a debt default and where inflation runs at more than 100 per cent. Latin American central banks took the fastest and most decisive action globally when inflationary pressures picked up in the wake of the coronavirus pandemic, which helped suppress price growth much more quickly than in other regions. But high rates have not choked off economic growth. Brazil and Mexico — the region's two largest economies by GDP and the most popular among international investors — both outperformed growth forecasts in the first quarter of this year, prompting economists to raise their projections for the end of the year.

International News

Cash Assets Under Management Reach 'Monster $7.8 Trillion', Bank of America Says (Reuters)

Investors globally ploughed more money into cash funds in the week to Wednesday, with total cash assets under management reaching a "monster" $7.8 trillion, according to a report from Bank of America (BofA) Global Research. Inflows into cash funds totaled $29 billion in the week to Wednesday, while global investors also bought $13 billion of equity funds and $9.8 billion of bonds, BofA said citing figures from funds data provider EPFR. Fears about a looming recession have kept many investors holding large cash positions throughout the first half of this year, even though the surprising resilience of the global economy has helped equity markets to rally sharply. Among equity investment trends, weekly inflows into Japanese stocks stood at $8.9 billion, their fifth straight week of inflows, while U.S. large caps saw their largest inflow in eight months of $12.9 billion.

The BofA data captures flows in the week to Wednesday, before key U.S unemployment data on Thursday raised expectations that the Federal Reserve will resume rate hikes in July after June's pause. The data caused a sharp selloff in which equity markets tumbled and short-dated bond yields on both sides of the Atlantic climbed past March levels to post-financial crisis highs. "Financial conditions tightening again in early-Q3, keeps the 'higher-for-longer/hard landing' view entrenched," said BofA in the report, noting that a further tightening of financial conditions in the third quarter would create a great opportunity for investors to position for a hard economic landing. The BofA “bull & bear” indicator, which measures market sentiment and is based on a series of technical market measures, remained unchanged, being more bearish than bullish at 3.2, where 10 is extremely bullish and 0 is the opposite.

Canada Posts Strong Job Gains in June, Raising Odds of Rate Hike (Reuters

Canada’s economy added far more jobs than expected in June, data showed on Friday, a result analysts said probably seals the deal for another Bank of Canada (BoC) interest rate hike next week. Jobs increased by a net 59,900 in June, the most since January and higher than a forecast gain of 20,000, while the jobless rate rose to 5.4% from 5.2% as more people searched for work, Statistics Canada data showed on Friday. The unemployment rate in June increased for the second consecutive month and is now at its highest level since February 2022, though still below a pre-pandemic 12-month average, Statscan said. The June jobs report is the last major economic figure to be released before the BoC’s rate announcement on Wednesday. The jobs figures “are good enough to give the green light for the bank to hike next week,” said Derek Holt, vice president of capital markets economics at Scotiabank. “We still have a jobs market that is holding on quite nicely.”

The central bank raised its overnight rate to a 22-year high of 4.75% last month on concerns about sticky inflation and said that further moves would be dependent on the latest economic figures. Data in the past month have shown some signs of a slowdown - inflation cooling to 3.4%, a tepid May jobs report and a surprise trade deficit in May - but not enough to diminish market expectations of another rate hike. Growth has remained resilient despite nine rate increases totaling 450 basis points since March of last year. The economy regained momentum in May, likely growing 0.4% on the month, after stalling in April. A large majority of economists polled by Reuters also expect the bank to lift rates by another quarter-point and then hold well into 2024.

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.