

# Market Guide

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“Compound interest is the eighth wonder of the world; he who understands it, earns it, he who doesn’t pays it.” ~ Albert Einstein

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## Junior Market Companies Look Overseas to Boost Growth

Several junior market companies are expanding their business overseas as they seek out new avenues to boost revenue growth. Over the last year, at least five junior market companies listed on the JSE revealed plans to open operations in other territories or export products to new markets. Companies such as Tropical, Fosrich, and Edufocal announced the opening of new subsidiaries as they seek to expand their operations. Similarly, LASD and SALF have their eyes on global markets, which they believe present significant opportunities for increased export revenues, while One on One is looking to partner with an overseas company to drive revenue growth. What's pushing these companies to look overseas? Why do they think that this is the right time to do so? Notably, most of these companies are distribution companies. Given the general mandate to bridge the gap between manufacturers and consumers, distributors appear to be leading the charge to exploit opportunities across borders, where they exist. Additionally, many companies would have also delayed expansion plans over the last 3 years amidst high inflation and interest rates and global issues such as Covid-19 and geopolitical issues affecting supply chains. With supply chain disruptions largely a thing of the past and inflation trending down, many companies appear to be getting their expansion plans back on track. Many of these companies are also at the stage where international expansion is deemed necessary for the business to reach specific growth and profit goals, as well as to

diversify revenues.

According to Capital Global Employment Solutions<sup>1</sup>, companies expand internationally for several reasons; to increase revenue potential, to increase customer base, for diversification, for greater access to talent, to gain competitive advantage, to improve the company's reputation, and even cost savings. A recent PWC research<sup>2</sup> shows that nearly half of all company Chief Financial Officers (CFOs) are in the process of expanding their business to overseas markets (or planning to do so soon). Venturing overseas often allows businesses to capture a greater market share to reach new demographics and find new investment opportunities. This in turn increase sales, and generate higher revenues and hopefully profit levels. Global expansion also gives access to a new pool of experienced professionals, which allows for a more diverse company culture and helps to fill specialist skill gaps bringing fresh creativity and innovation. It also allows companies to diversify their markets and can help to cushion the company if there is a slowdown or downturn in the local market. Access to foreign markets is especially beneficial if the business' home market has become oversaturated and there is a clear opportunity to tap into a less competitive market overseas. It could also be a part of the company's corporate strategy to drive shareholder value, especially if they have exhausted domestic growth opportunities. The Global Expansion Index<sup>3</sup> ranks the United States as the best

### WEEKLY MOVEMENT IN INDICES

MOVEMENT IN INDICES			
JSE Indices	Closing Levels	WoW % Change	YTD % Change
Combined Index	339,284.26	-0.8%	-8.6%
Main Market Index	325,270.08	-0.8%	-8.0%
Select Index	8,188.17	-0.2%	-8.0%
Junior Market Index	3,909.27	-0.5%	-1.9%

WINNERS & LOSERS (FOR THE WEEK ENDED JULY 28, 2023)		
	\$ Change	% Change
DOLLA	+\$0.80	+39.02%
SCIUSD	+USD\$0.03	+29.69%
CAC	-\$1.72	-25.22%
PULS	-\$0.49	-18.49%

### MARKET OVERVIEW

Relative to the week of July 21st, when 7 of 9 indices advanced, trading activity for last week resulted in a majority of the indices (7/9) declining, except for the JSE USD Equities Index (+2.14) and the JSE Manufacturing & Distribution Index (+0.25). The JSE Financial Index and the JSE Cross Listed Index had the largest week-over-week (WoW) decline, falling by 1.64% and 1.31%, respectively. Guardian Holdings Ltd (-4.99%) and a -4.35% decline in Sagicoor Group Ltd shares were the main drivers. There was no direct news to support the movement in these stock prices. Of the two advancing indices, the USD Equities had the more significant WoW gains, buttressed by gains in the share prices of TransJamaican Highway Ltd. (TJH USD) and PROVEN USD of 2.80% and 1.72%, respectively. Of note, PROVEN Group advised that it will consider making dividend payments to its ordinary shareholders at its Board of Directors meeting scheduled for July 31, 2023.

On a positive note, Producer Price Index (PPI) results released last week for June 2023, indicated that the components continued to decline. The downward movement in June was influenced by the index for the Mining & Quarrying industry, which decreased by 4.6%, mainly due to a fall in the index for the major group, Bauxite & Alumina Processing'. Importantly, for the same period, the index for the Manufacturing industry decreased by 3.3%, aided primarily by a decline in the index for the 'Refined Petroleum Products'. June marks the second consecutive month of decline primarily driven by lower crude oil prices on the global market. Though minor, the dip in the PPI in June bodes well for manufacturers since they will face lower direct costs, which in turn can result in greater profitability and margins overall. However, the decision by OPEC+ to curtail oil supply could potentially reverse some of the decline witnessed in producer prices thus far. The reduction in oil supply could drive up costs related to transportation and electricity. However, the supply cut has failed to significantly influence oil prices thus far.

Overall market activity resulted from trading in 121 stocks, of which 46 advanced, 61 declined, and 13 traded firm. Dolla Finance Services Ltd. and Sygnus Credit Investment Ltd. USD Ordinary Shares, up 39.02% and 29.69%, respectively, were the main advancers for the week. Conversely, CAC 2000 Ltd. (-25.22%) and Pulse Investment Ltd 7% (-16.98%) experienced the largest declines WoW. Dolla's gains are likely driven by the acquisition of shares by Supreme Ventures Limited (SVL). In the wake of the acquisition, there was an adjustment to its board. The acquisition bodes well for Dolla given SVL's outlook to grow and expand beyond the gaming market into other growth industries. However, late Friday evening, the resignation of Dolla's CEO – Mr. Kadeen Mairs – was announced, and simultaneously Mr. Kenroy Kerr appointed as the interim CEO. We expect to see some volatility in price movement this week, with more pressure to the downside. However, a dip could be short-lived, given the company's strong fundamentals and its plans to expand further into the region.

<sup>1</sup> Capital Global Employment Solutions- 8 Reasons to Expand Internationally in 2020

<sup>2</sup> The latest PwC Pulse Survey, fielded August 1 to August 5, 2022, surveyed 722 executives and board members from Fortune 1000 and private companies about the current business environment, the risks executives are facing and the impact those risks have on company strategy and growth plans.

<sup>3</sup> The global expansion Index reveals the top countries for expanding your business internationally. The research analyzed 100 countries with the largest GDPs in the world against 10 critical expansion metrics. Some of the factors included are the annual GDP growth rate, number of startups, corporate tax rate, labor productivity and the time and costs required to start a business.

country for businesses looking to expand overseas with a score of 8.05 due to the country's favourable business environment, strong legal framework, access to capital, and low regulatory burden. This aligns with the majority of the local junior market companies who are looking to the US for expansion, especially given the concentration of diaspora members in that market.

Other companies are looking to export to other markets overseas or partner with international companies to grow revenues. Lasco Distributors Limited (LASD) is looking to expand its footprint through exports to other parts of the Caribbean basin and the eastern seaboard of the United States where they see lots of potential due to the strong diaspora presence. Guyana is also a market being considered for expansion and could deliver above-average growth based on the strong economic growth in that market. Similarly, Salada Foods Jamaica Limited (SALF) has sought to grow its bottom line through market diversification, in particular, export-led sales growth. It aims to achieve this by collaborating with distributor partners in the United States, Canada and Cayman. Both companies are targeting especially members of the diaspora who are familiar with the brand and taste and are likely to support quality Jamaican brands. The move to expand exports is supported by some success so far. For LASD, there was double-digit growth in exports in 2022, which is based on a go-to-market execution strategy<sup>4</sup>, while Salada saw a 6.9% increase in exports during the 2022 financial year which accounts for 21.2% of total revenues. If these products pick up traction abroad it could further boost top-line growth for both companies and potentially boost their bottom line. One on

One Educational Services Limited (ONE) announced that it has finalized an agreement with Community Systems Foundation (CSF), to implement its National Digital Education Eco-System across several new markets across the region. This development forms a significant step in One on One's mandate to position itself at the forefront of the effort to digitize education systems within the Caribbean and the Latin American region, particularly in small island states looking to transform their education systems.

The move to expand overseas presents significant opportunities for these local companies, and potentially investors; but these plans are not without risks. In an analysis of 20,000 companies in 30 countries, it was found that companies selling abroad had an average Return on Assets (ROA) of minus 1% as long as five years after their move. It takes 10 years to reach a modest +1% and only 40% of companies turn in more than 3%. Companies that expanded domestically typically had an average ROA of +1% after five years, rising to +2.4% after 10 years, with 53% exceeding 3%<sup>5</sup>. It highlights the challenges faced with expanding across borders. High costs including the cost of building the brand and general distribution costs have been a big factor for companies attempting to do so. Despite the risks and challenges associated with regional or global expansion, the rewards can be enormous. It is also an indication of increased growth potential which bodes well for profitability. It could potentially mean higher dividend payments for investors or an increase in the company's valuation which could cause an appreciation in the company's stock price. Often when companies make announcements of regional or global expansion,

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the market reacts as investors become more optimistic about the company and seek to invest in anticipation of higher returns. However, the ability of management to successfully execute the strategies as the company makes its foray into new markets, will ultimately determine whether the plans have the desired profit impact and the gains are sustained.

<sup>4</sup> A go-to-market (GTM) strategy is a step-by-step plan designed to bring a new product to market and drive demand. It helps identify a target audience, outline marketing and sales strategies, and align key stakeholders. While each product and market will be different, a well-crafted GTM strategy should identify a market problem and position the product as a solution.

<sup>5</sup> Few Companies Actually Succeed at Going Global by Christian Stadler, Michael Mayer, and Julia Hautz

## Foreign Exchange Market

The Jamaican dollar depreciated slightly by 0.26% relative to the USD, week over week, with the USD selling rate moving from J\$155.28 on July 21, 2023, to J\$155.68 on July 28, 2023. Of note, the Jamaican dollar has trended around the J\$155 mark for the last three months, suggesting that the dollar is establishing some level of stability given the wide swings seen back in 2022. It is anticipated that the BOJ will continue to lend support in the months to come by augmenting supplies of the USD as needed, especially with August and September usually being high-demand months for the US Dollar (USD). This will aid in reducing wide fluctuations in the local currency.

Selling	Close: 21/7/23	Close: 28/7/23	Change
J\$/US\$1	\$155.28	\$155.68	<b>+\$0.40</b>
J\$/CDN\$1	\$117.64	\$118.08	<b>+\$0.44</b>
J\$/GBP£1	\$202.39	\$201.15	<b>-\$1.24</b>

## Global Bond Prices

Last week the global bond markets was mostly flat with slight price appreciation despite the Fed's decision to raise its interest rates and concerns about the stickiness of core inflation. The Federal Reserve raised interest rates to the highest level in 22 years, leaving the door open to additional increases as officials fine-tuned their effort to quell inflation further. The quarter percentage-point hike, a unanimous decision, lifted the target range for the Fed's benchmark federal funds rate to 5.25% to 5.5%, the highest level since 2001. This marked the 11th increase since March 2022, when the rate was near zero. The committee noted that it would continue to assess additional information and its implications for monetary policy, the lags with which monetary policy affects economic activity and inflation, and economic and financial developments. Of note, the committee's statement was almost identical to its previous statement in June, which suggests that officials are keeping their options open to either hike again at their next meeting in September, pause, or skip an increase depending on incoming data. The actions taken by the Fed were largely driven by concerns about core inflation<sup>6</sup> and resilience of economic activity. While June's consumer-price report showed inflation decelerating to 3% from last year's 9.1% peak, policymakers have expressed concern about core inflation, which has been slower to come down. Policymakers have singled out service-sector inflation, in particular, as a category they believe remains elevated due to tight labour markets.

<sup>6</sup> Core inflation is the change in the costs of goods and services but does not include those from the food and energy sectors. Food and energy prices are exempt from this calculation because their prices can be too volatile or fluctuate wildly.

However, Fed officials have also been surprised by the resilience of economic growth. Forecasters expected a quarterly report on gross domestic product released on Thursday, to show the US economy expanded by an annualized 1.8% in the April to June period, but data came in stronger at 2.4%, up from 2% the prior period, which was alarming to the market and resulted in a temporary sell-off. Given the aforementioned, some Wall Street economists have pushed back calls for a recession this year due to the strength in economic activity alongside receding price pressures. Most importantly, the market rebounded moderately following this as the core PCE Price Index came in at 3.8%, where the consensus was 4%, and the prior reading was 4.9%.

The key takeaway is that there is evidence of encouraging disinflation for both total and core CPI that may temper worries about the Fed, given that a steady decline in the inflation rate may compel the central bank to move toward the end of the current rate hike cycle.

The price of the 10 Year Treasury closed the week softer resulting in a rise in the yield to 3.95% from 3.83%.

Bonds	Current Rating	Indicative Price	Yield	Recommendation
ALSEA 2026 (7.75%)	Ba3/ STABLE	102.75	6.82%	<b>BUY</b>
BERMUDA (3.72%) 2027	A2/ STABLE	98.00	4.34%	<b>BUY</b>
DOMREP(6%) 2033	BB/ STABLE	96.50	6.50%	<b>BUY</b>
DOMREP (8.63 %)2027	BB/ STABLE	107.50	6.32%	<b>BUY</b>
DOMREP (5.5%) 2029	BB/ STABLE	97.50	6.04%	<b>BUY</b>
DOMREP (6%) 2028	BB/ STABLE	100.50	5.88%	<b>BUY</b>
DOMREP (5.95%) 2027	BB/ STABLE	101.25	5.55%	<b>BUY</b>
TPHLTT (9%) 2029	BB/ STABLE	106.90	7.61%	<b>BUY</b>
SFC (5.30%) 2028	BB-/ POSITIVE	103.50	5.36%	<b>BUY</b>
DOMREP (6.88%) 2026	BB/ STABLE	104.75	5.20%	<b>BUY</b>
JAMAN (7.63%) 2023	B+/ POSITIVE	106.90	7.61%	<b>BUY</b>
PYPL (2.85%) 2029	A-/STABLE	91.25	4.69%	<b>BUY</b>
UNICMR (7.88%) 2024	BB-/ STABLE	101.75	3.59%	<b>SELL</b>

Bonds	Current Rating	Indicative Price	Yield	Recommendation
NFE 2025 (6.75%)	BB-/STABLE	97.50	8.05%	HOLD
NFE 2026 (6.50%)	BB-/STABLE	94.50	8.52%	HOLD
PRIOBZ (6.13%) 2026	BB-/STABLE	101.00	5.77%	BUY
BACR (5.75%) 2026	BBB+/STABLE	101.00	5.39%	BUY
DOMREP (5.5%) 2025	BB/STABLE	101.25	4.62%	BUY
DOMREP (5.88%) 2024	BB/STABLE	101.25	4.05%	BUY
DOMREP (6.6%) 2024	BB/STABLE	101.25	3.96%	BUY
FRICON (7.7%) 2028	B+/STABLE	86.50	11.33%	BUY
PEMEX (5.35%) 2028	B+/NRW	85.00	8.95%	SELL
TRITOB (5.88%) 2027	BBB-/STABLE	101.00	5.58%	HOLD
TRITOB (5.88%) 2027	BBB-/STABLE	101.00	5.58%	HOLD
TRITOB (5.88%) 2027	BBB-/STABLE	101.00	5.58%	HOLD

## Money Market

As of July 27th, a total of J\$29.9Bn was in the market, as represented by the BOJ's aggregated current balances. The aggregated closing current account balance increased by J\$15.15Bn from J\$14.8Bn week over week due to the maturity of a 30-day CD and the salaries being due for payment. The average yield from the BOJ's competitive price auction decreased to 8.91% versus 9.02% in the prior week. The auction was oversubscribed; bids received totaled J\$40.9Bn relative to the offer size of J\$28Bn. The bid-cover ratio declined to 1.46 relative to a ratio of 2.11 in the prior week. The highest bid rate for full allocation was 9.24%, which is also a decrease from 9.49% in the prior week. The next auction date for the Bank of Jamaica 30-day CD will be held on August 2nd. On the other hand, the BOJ 17-month CD auction was undersubscribed; bids received totaled J\$26.5Bn, for an offer size of J\$30Bn. The average yield from the auction was 8.71%, with the highest bid rate for full allocation being 9%.

Broker demand for JMD remained relatively moderate, particularly for short-term funds, and rates in the retail market stayed consistent.

In the USD money market, liquidity continued to fluctuate week over week, and broker market demand for USD continued to increase for longer-tenured funds.

## GOJ Globals

Ticker	Maturity	Bid	Offer Yield*
JAMAN	2028	105.00	5.25%
	2039	120.60	5.88%
	2045	116.75	6.44%

\*NB: The rates quoted above are opening indicative levels on the international market and are subject to change as market conditions vary throughout the trading session. Additionally, the prices quoted to clients of NCB Capital Market Limited (NCBCLM) are adjusted to reflect the costs associated with completing the transaction on the respective client's behalf.

## Local Corporate Bonds

Name	Maturity	Coupn	Price	Yield
SJPC	2032	8.85%	104.00	8.22%
PBS	2025	6.50%	101.00	6.13%

## Dates to watch this week

■ International ■ Local

JULY - AUGUST 2023				
MON	TUE	WED	THUR	FRI
<b>31</b>	<b>01</b>	<b>02</b>	<b>03</b>	<b>04</b>
MIL Dividend Payment Date (\$0.30) MJE Dividend Payment Date (\$0.07)			Wisynco Dividend Payment Date (\$0.23)	US Unemployment Rate (Jul)
			BoE Interest Rate Decision (Aug)	

## Recommendations

Ticker	Closing Price (July 31)	P/E	Avg. Sector P/E	Current Recommendation
WISYNCO	\$17.85	14.1x	14.0x	BUY
GK	\$77.10	10.3x	10.0x	BUY
IPCL	\$2.27	10.8x	16.2x	BUY
JBG	\$34.64	7.8x	14.0x	HOLD
ECL	\$5.17	20.6x	24.4x	BUY
CAR	\$8.14	10.9x	14.0x	BUY
CPJ	\$10.35	16.6x	14.0x	BUY
KW	\$28.92	15.2x	17.8x	HOLD
FESCO	\$3.90	17.2x	13.4x	BUY
PBS	\$1.80	37.7x	16.6x	HOLD
TJH	\$2.54	19.0x	17.8x	BUY
SOS	\$2.99	27.4x	15.8x	BUY
KEX	\$11.56	19.0x	24.4x	BUY
SALF	\$3.03	18.9x	14.0x	SELL
LASM	\$4.73	8.9x	19.6x	BUY
LASD	\$4.01	9.4x	13.4x	BUY

## Regional News

### Brazil's Jobless Rate Hits Lowest Since 2014 For A Quarter Through June (Reuters)

Brazil's jobless rate fell in the quarter through June to its lowest level for the period in nine years, statistics agency The Brazilian Institute of Geography and Statistics (IBGE) said last Friday, underscoring the labor market's resilience despite its high-interest rates. Unemployment in Latin America's largest economy hit 8.0% in the three months through June, down from 8.3% in the previous rolling quarter and below market expectations, as economists polled by Reuters had a median forecast of 8.2%. It was the fourth consecutive drop for a rolling quarter, according to IBGE, which said the move reflected seasonally lower vacancy rates. There are now 8.6Mn unemployed people in Brazil, it added. Finance Minister Fernando Haddad cautioned that despite the positive data, the unemployment rate should not be perceived as an indicator of a strong economy, given the country's 10% real interest rate leading to an activity slowdown.

Brazil's benchmark interest rate stands at a six-year high of 13.75% since August 2022 as part of the central bank's bid to lower inflation, although an easing cycle is widely expected to start early next month. Haddad said he sees plenty of room for the central bank to kick off its monetary easing cycle with a "reasonable" rate cut.

Some economists also expect high-interest rates to take their toll going ahead as economic growth softens in the country. "All in all, the labor market remained strong in the second quarter, defying the drag from stiflingly high-interest rates," Pantheon Macroeconomics chief economist for Latin America, Andres Abadia, said. "But we still expect conditions to deteriorate at the margin in Q3 and early Q4 due to the lagged effect of increased borrowing costs in key sectors." Even so, President Luiz Inacio Lula da Silva's government still welcomed the latest data, as the leftist leader campaigned last year to reduce unemployment in the country.

### Improving Social Stability, Higher Public Approval To Drive Political Stability In Dominican Republic (Fitch Solutions)

Fitch Solutions We forecast that the Dominican Republic will undergo relative calm throughout the remainder of 2023, primarily due to improving cost of living conditions. Fitch's last politics article stated the view that centrist President Luis Abinader would

look to bolster household incomes through business-sector negotiations to raise the minimum wage rather than raising social spending. On May 3, the day that article was published, the government announced that tourism sector employees would receive a minimum wage hike starting on June 1, 2023, and a smaller hike in February 2024 based on the size of their employers. It was also noted that the popular fuel subsidies have been kept in place and are expected to remain so, given the likely increase in international oil prices in H2 2023.

Target-level consumer price inflation and below-average unemployment continue to support households' purchasing power. In June 2023, headline inflation fell to 4.0% y-o-y, which is consistent with the Banco Central de la Republica Dominicana (BCRD)'s 4.0% inflation target. This will allow the BCRD to continue cutting its interest rates, which should help reduce borrowing costs for consumers and businesses. Lower costs for commercial expansion underpin Fitch's expectations that unemployment is likely to remain below the pre-pandemic average (2015-2019) of 6.3%, averaging 5.9% in 2023 and ticking up only to 6.4% in 2024, due to economic headwinds precipitated by an expected US economic slowdown next year. Indeed, the unemployment rate in Q1 2023 stood at 5.2%, down from a peak of 8.0% in Q1 2021.

Against this overall backdrop, Fitch has revised the Dominican Republic's Short-Term Political Risk Index (STPRI) score from 75.2 out of 100 to 78.3 (see chart above). Minimum wage hikes, easing inflation, and relatively low unemployment have led to a rise in the 'social stability' component from 72.5 to 80.0, while the risk of broad-based public unrest remains low. There was also a slight increase to the 'policy continuity' component from 85.0 to 90.0, given Abinader's very strong position just nine months ahead of the general election.

## International News

### Endgame For Fed's Tightening Cycle Challenged By Easing Financial Conditions (Reuters)

Less tight financial conditions, as exhibited by the red-hot stock market, may increase the chances that the Federal Reserve hikes rates again before the end of the year, some economists reckon, even as financial markets put little odds on that happening. Several measures of financial conditions, including those produced by the central bank, have shifted in a way

that signals reduced restraint on the economy at a time when central bank officials believe more work may be needed to lower inflation. Considering everything from stock prices to measures of borrowing costs for the government, businesses, and households, financial conditions matter to monetary policy. That is because the Fed relies on markets to transmit changes in its short-term interest rate target to the broader economy. The current slackening in these gauges means markets and the Fed are starting to go on separate paths.

Last Friday, the Federal Reserve reported that its Financial Conditions Impulse on Growth for June moved to 0.458, from May's 0.603 reading. The index, now the lowest since August 2022, seeks to describe whether financial conditions are aiding or restraining growth, so the latest reading points to them providing less drag on the economy. Meanwhile, Goldman Sachs' closely watched Financial Conditions Index has been steadily easing since May. As of the end of July, that measure was also at levels last seen in late August of last year, while the Chicago Fed's latest index has also pointed to easier conditions. Since March of last year, the Fed has been engaged in a historically aggressive campaign of short-term interest rate increases, taking its target rate from near zero levels to between 5.25% and 5.5% after a quarter percentage-point increase on Wednesday.

Importantly, an explicit goal has been to tighten financial conditions. Mortgage rates have soared to around 7%, while other borrowing costs are up. Rate hikes also slam the stock market, at least for a while, pushing up the dollar relative to other currencies. Tighter financial conditions have helped accomplish the Fed's desire to slow down the economy in a bid to lower inflation pressures from multi-decade highs. However, now things are shifting the other way, which could create issues for the Fed as it approaches the endgame for its tightening cycle.

### Housing Challenges Continue To Pressure Canada's Liberal Minority Government (Fitch Solutions)

Fitch has maintained Canada's Short-Term Political Risk Index (STPRI) score at 85.0 (out of a possible 100.0, where a higher score implies lower risk) this quarter. Canada continues to place favourably in its global rankings, but its overall score is weighed down somewhat by the social stability component. While inflation has eased in recent quarters and labour market conditions remain tight, households have continued to indicate that they are dealing with the significant cost of living challenges. However, with wholesale food and energy prices having recently

increased, these perceptions will likely deteriorate further in the coming quarters.

Households' perceptions are at least partly a function of Canada's housing market challenges. Roughly a third of households have a mortgage, and a further third rent. The former is dealing with a notable uptick in debt servicing costs linked to the Bank of Canada's (BoC) aggressive tightening cycle, with the persistence of inflationary pressures at least partly a function of the government's continued pursuit of a relatively loose fiscal policy stance. Mortgage holders are unlikely to see much relief in the coming quarters, with only around 30% having seen their payments rise to date per the BoC's latest Financial Stability Report. Meanwhile, renters are facing similar costs of living challenges, thanks to an extremely tight demand-supply picture that has worsened since the Liberals took office back in 2015.

Overall then, the Agency suspects that the government is unlikely to get on top of Canada's housing issues before the next general election. This must be held before October 2025 but may come sooner than that, given tensions between the minority Liberal government and the New Democratic Party that supports it. Support for the Liberals has recently dropped below 30%, and they have trailed the Conservatives since September 2022, one factor behind Prime Minister Justin Trudeau's recent decision to reshuffle his cabinet for the first time in two years. As part of this 'reset,' Trudeau merged the housing and infrastructure portfolios. This followed his comments in May that his government will unveil a new home-building plan that will be similar in scope to the CAD15bn (spread out over eight years) transport infrastructure plan, which was announced in February 2021.

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#### Important Disclosures:

The views expressed in this report are the views of NCB Capital Markets Ltd at the date of this report.

In accordance with Section 39 (l) of the Securities Act of 1993, NCB Capital Markets Limited hereby states that it is a subsidiary of NCB Financial Group Limited and to that extent may be regarded as interested in the acquisition or disposal of the shares of NCB Financial Group Limited. However, the company acts in a proper and professional manner in making any recommendations regarding shares listed on the Jamaica Stock Exchange. Share prices may fluctuate and past performance is not necessarily a guarantee of future returns.