

▶ Market Guide

THIS ISSUE

Portfolio Diversification Beyond Traditional Assets; Alternative Investments Still Relevant

Foreign Exchange Market Summary

Money Market Update

Stock Recommendations

“It’s far better to buy a wonderful company at a fair price than a fair company at a wonderful price.” ~ Warren Buffett

Annya Walker, CFA
VP Strategy Research
Innovation & Projects
📞 (876) 935-2716
✉️ Walkerad@jncb.com

Jamelia Jalaalwalkraam
Manager, Research
✉️ Jalaalwalkraamjt@jncb.com

Chivel Greenland, FRM, FMVA
Senior Research Analyst
✉️ Greenlandcy@jncb.com

Oneka Taylor-Marshall, FMVA, CMSA
Research Analyst
✉️ Tayloron@jncb.com

Thea Christian, CBCA, FMVA, CMSA
Research Analyst
✉️ Howardta@jncb.com

Dave Gilzene, FMVA, CMSA
Research Analyst
✉️ Gilzenedh@jncb.com

Sarays Campbell, FMVA
Research Analyst
✉️ Campbellsm@jncb.com

Shereese Bailey, CMSA
Research Analyst
✉️ Baileysd@jncb.com

Jamie Muir, FMVA
Research Analyst
✉️ Muirja@jncb.com

Portfolio Diversification Beyond Traditional Assets; Alternative Investments Still Relevant

Traditional assets have taken a hit since the pandemic due to surges in inflation and rising interest rates to combat high prices, but alternatives have remained attractive. The decline in the prices of traditional assets have led to a falloff in gains in the typical portfolio consisting of mainly traditional assets such as stocks and bonds. In 2022, the traditional 60/40 portfolio consisting of stocks in the JSE All Composite Index and the bonds from the JSE Jamaica Global Bond Index, would have declined by more than 11%¹, as both stocks and bonds experienced significant losses. This has strengthened the case that having a more diverse portfolio is essential for capital growth and capital protection in an environment of high inflation and interest rates and has led to some investors questioning the effectiveness of a 60/40 strategy. To this end, investors have sought alternative strategies which include, the addition of alternative investments (AI) to their portfolio. Alternative investments are asset classes other than traditional securities, like stocks and bonds. However, when integrated into a portfolio, they can achieve higher risk-adjusted returns and potentially reduce overall volatility.

Alternative investments include investments in five main categories: hedge funds, private capital, natural resources, real estate, and infrastructure². Due to their low correlation with traditional assets, that is, they don't move in the same direction to a great degree, they offer diversification benefits. Furthermore, certain assets

within this group, such as gold and real estate, possess inflation-hedging characteristics. This makes them particularly valuable in portfolio construction, especially in the current context of globally inflation though declining, still being elevated. The benefits that alternative investments add in diversifying portfolios have driven greater demand for the assets in recent years, which is expected to continue as investors seek out more tailor-made solutions that will limit losses and sustain positive returns. Annualized returns over the decade for a portfolio consisting alternatives hovered around 8.6% which was 1.5 percentage points more than its benchmark and 0.7 percentage points more than a 60/40 portfolio³. Locally and regionally, the growing demand for exposure to alternatives is evident with the increased number of financial companies that have launched alternative investment funds, and increased private capital investments. This is evident with the introduction of NCB Capital Markets Stratus that has launched its Infrastructure Fund, Caribbean Mezzanine Fund, and Regional Opportunity Fund; Sygnus Group Limited which focuses on private capital and infrastructure; Eppley, which focuses on infrastructure, real estate and private credit; and Proven Investment which focuses on real estate and private capital. All of these companies have entered the AI space to fill the gaps in the financial solutions market while generating higher returns for investors. The increased supply or access to alternative assets also reflects the rise in demand from local

WEEKLY MOVEMENT IN INDICES

MOVEMENT IN INDICES			
JSE Indices	Closing Levels	WoW % Change	YTD % Change
Combined Index	334,232.98	-0.4%	-10.1%
Main Market Index	320,070.80	-0.4%	-9.3%
Select Index	8,058.01	2.2%	-9.4%
Junior Market Index	3,887.42	-0.7%	-2.5%

WINNERS & LOSERS (FOR THE WEEK ENDED AUGUST 18, 2023)

	\$ Change	% Change
ISP	+\$3.92	+18.45%
CAC	+\$1.08	+18.31%
SCIUSD	-\$0.02	-21.45%
JMMBGL7.25	-\$0.36	-19.89%

MARKET OVERVIEW

Last week, local stocks continued to give up gains as 6 of the nine indices declined. The JSE Select, USD Equities, and Financial indices were the indices to record gains. The JSE Select and USD Equities Indices had the largest week-over-week (WoW) appreciations of 2.2% and 1.7%, respectively. Wisynco Group Ltd. (+4.3%) was the primary driver of the Select Index's performance, while the USD Equities Index was largely buoyed by TransJamaican Highway Ltd. (+9.3%) and Proven USD (+1.4%). TJH released its second quarter financials on Friday, August 11, which showed continued strong growth in earning, likely driving the gains in the stock price last week. TJH continues to reap the benefits of the JIO acquisition and traffic growth, reporting revenue growth of 18.2% and 19.6% for the quarter and the six months ended June 30, 2023, respectively. The recent increases in the toll tariff, which is reviewed annually, also contributed to the improvements. There was no direct news to support the movement in the other stock prices. The JSE Cross-Listed and Manufacturing & Distribution Indices lost the most value last week. The Cross-Listed Index was primarily influenced by the WoW decline in the prices of Eppley Caribbean Property Fund Ltd. (-13.6%) and Massy (-2.2%). There was no news to support the price movement of Massy. However, on a positive note, Eppley released earnings for its third quarter. The Fund saw a 10.4% increase in total investment income partly due to higher fair value gains on investment property and generated net profit attributable to shareholders of \$6.94Mn for the nine months ended June 2023. The year-over-year nine-month performance fully reflects the value of the recent portfolio acquisitions.

Data on inflation released last week by Statin showed that consumer prices rose to 6.6%, remaining outside the BOJ's target range of 4.0 – 6.0% for a third consecutive months. Increased food prices, the cost of household equipment and the ongoing drought which adversely affect produce prices were the primary drivers of July's inflation outturn. Despite the recent increase in consumer prices, point-to-point inflation is expected to fall and enter the BOJ's target range by the December quarter. Against this backdrop, we anticipate that the BOJ will maintain its policy at its next monetary policy meeting on September 29, 2023 as the country sees "material success" in the fight against controlling core inflation. Furthermore, as inflation falls within the target range, it should augur well for the stock market as it creates a backdrop for lower market interest rates. This will eventually improve the relative attractiveness of stocks and further support positive movements in the indices and an improvement in market activity in 2024.

Market activity resulted from trading in 126 stocks, of which 44 advanced, 70 declined, and 12 traded firm. Market volume amounted to 114,175,948 units valued at over \$435,868,792.29. The volume leaders were Wigton Windfarm Ltd. with 14,838,856 units (12.71%), TransJamaican Highway Limited with 13,592,092 units (11.64%), and Sterling Investments Ltd with 13,527,096 units (11.58%).

1 JSE and NCBCM Research
 2 CFA Institute
 3 Portfolio lab (August 14, 2023)

and regional investors, especially institutional, who continue to recognize the added value it brings to their portfolio. However, like traditional investments, the risks associated should not be ignored.

The main reason for including alternative investments in a portfolio is their ability to generate greater risk-adjusted returns, which takes into account, not only the returns, but also the risk needed to achieve it. In the 20-year period ending in 2022, private equity investments averaged annual returns of 14.75%, outpacing the 9.25% of the S&P 500 and 8.84% of the Dow Jones Industrial Average⁴. This data suggests that including alternative investments could enhance portfolio performance. Although the performance history of local alternative offerings is still nascent, notable growth has been observed in two of NCB Stratus funds. The Infrastructure Funds and the Tourism Response Impact Portfolio have registered respective growths of 12.0% and 13.6% in net asset value per share since their inception. Additionally, international trends underscore the benefits to be gained from diversifying through alternatives. Though the rate of price increases has slowed generally, inflation and by extension, interest rates, have remained elevated. Some central banks, like the US and UK, which are still raising rates, have stated their intention to keep interest rates high for the near future until a stable downward trend in core inflation is found. Adding income generating real estate assets like a rental property as well as real assets and commodities can help to protect your portfolio against inflation. Furthermore, given the diversification benefits they provide and the ability to enhance portfolio returns, alternative investments will be a mainstay in modern day portfolio construction going forward, even after inflation and interest rates have moderated.

Though the benefits are clear, like any other investments, investors should be prudent as there are underlying risks with investing in AI, especially given that they are a riskier class of assets. Unlike traditional assets, the ability to sell may not be that easy as the assets are often illiquid, requiring you to lock up your funds for an extended duration. For example, investment in private equity requires investors to commit funds over longer time horizon, typically around 5-10 years. This is because these investments target companies with the potential for substantial long-term profit, and these investee companies may take time to turn around. Similarly, direct investment in real estate poses a challenge when investors want to sell, as a property may take months or longer to be sold. Further, some alternative investments are complex and may be hard for investors to understand, despite having some features that are similar to traditional assets. For example, mezzanine financing is a form of hybrid debt and equity instrument and, is inherently riskier, attracting higher interest rates. Its complexity can make it difficult for investors to understand and negotiate. A case in point is the Caribbean Mezzanine Fund II, a credit and mezzanine investment vehicle co-managed by NCB Capital Markets and Eppley. This vehicle allows both institutional and retail investors to explore a broad range of non-traditional investment solutions that may otherwise not be readily available to them while benefiting from higher risk-adjusted returns.

If it's one thing that we were taught through the pandemic, and the subsequent years of high inflation and interest rates, is that, the need for further diversification of one's portfolio is crucial in creating and preserving wealth. Though further diversification from traditional portfolio composition would have proven beneficial during the

At the end of 2015, assets under management (AUM) in alternatives stood at \$7.23Tn, and rose to \$13.32Tn by the end of 2021. It is expected that AUM growth will accelerate further growing by 11.7% and reach \$23Tn in 2026.

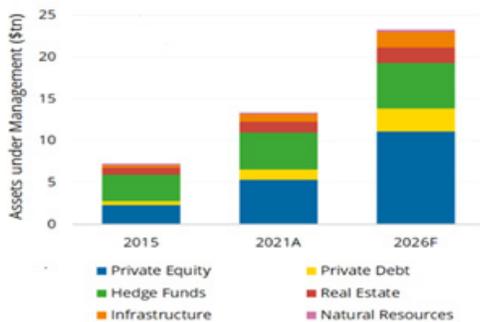
turbulent times, investors should consider this as the new norm in terms of long-term investing. This can be done by introducing non-traditional assets, also known as alternative investments to the portfolio. Once reserved for institutional investors and high net-worth individuals, mainly due to complexity, lack of regulation and high costs, alternatives are becoming more accessible to the average investor due to the creation of related funds. Over the years, the demand for alternative investment solutions has risen, evidenced by the significant growth. At the end of 2015, assets under management (AUM) in alternatives stood at \$7.23Tn, and rose to \$13.32Tn by the end of 2021. It is expected that AUM growth will accelerate further growing by 11.7% and reach \$23Tn in 2026⁵ (see Figure 1 below). Though, all of these assets may not be accessible to local investors, some are. Investors may gain exposure to alternatives by investing in listed companies that invests directly and primarily in alternatives. For example, real estate company, First Rock Real Estate Limited, Kingston Properties Limited offer shares on the JSE, giving investors exposure to real estate. On the other hand, Transjamaican Highway Limited is also listed and gives investors

4 CAIA- How Private Equity Markets Have Historically Weathered Storms (2023)

5 Preqin- 2022 Global Alternative Investment Report

exposure to infrastructure. Furthermore, other financial firms such as Sygnus Group provide investors with exposure to real estate, and private capital, as well as NCBCM through its alternative investment funds provide investors exposure to real estate, infrastructure and private capital. As investors continue to seek higher returns, as well as, build portfolios that can withstand shocks, alternative investments must be considered. Though these assets are not without risks, the value that they add to one's portfolio given their inflation-hedging characteristics, relatively low correlation with traditional assets, as well as their potential to generate higher returns will help them to remain an essential component of investment portfolios.

Figure 1: Global AI Asset Under Management



Source: Preqin

Foreign Exchange Market

The Jamaican dollar depreciated marginally by 0.01% relative to the USD, week over week, with the USD selling rate moving from J\$155.50 on August 11th 2023, to J\$155.52 on August 18th 2023. The Jamaican dollar continues to fluctuate around the J\$155 mark and has done so for the last three months, suggesting relative stability compared to the large swings in the JMD experienced in 2022. It is expected that in the coming months, the BOJ will continue lending support to the market in the form of BFXITT operations as needed, especially since August and September are historically high-demand months for the US Dollar as businesses begin purchasing inventory for the Christmas period. The BOJ's sale of hard currency should help to mitigate wide fluctuations in the exchange rate.

Selling	Close: 8/11/23	Close: 8/18/23	Change
J\$/US\$1	\$155.50	\$155.52	+\$0.02
J\$/CDN\$1	\$115.84	\$116.65	+\$0.81
J\$/GBP£1	\$199.92	\$197.86	-\$2.06

Global Bond Prices

Data released last week showed that the number of Americans filing new claims for unemployment benefits fell, pointing to continued tightness in the

labour market, even as job growth slows. Initial claims for state unemployment benefits dropped 11,000 to a seasonally adjusted 239,000 for the week ended Aug. 12 versus the estimate of 240,000. This outturn means that initial claims are tracking in a direction that reflects continuous labour market tightness, which does not bode well for investors as the labour market is a key determinant in the Fed's decision regarding rate adjustments. Notably, minutes of the Fed's July 25-26 meeting, which were published on Wednesday, showed that while policymakers acknowledged "signs that demand and supply were coming into better balance," they "judged that further progress toward a balancing of demand and supply in the labour market was needed, and they expected that additional softening in labour market conditions would take place over time."

Additionally, the minutes pointed to the possibility of further rate hikes, with policymakers noting that inflation remains too high and further restrictive monetary policy may be needed to sufficiently ease pressures from higher prices. Consequently, any such policy moves would depend on the state of the economy, the central bank noted. The 10-Year Treasury closed at a high of 4.28%, the highest since November 2007, as investors reacted negatively to meeting minutes from the Federal Reserve signaling more rate hikes may be needed.

However, the labour market remains strong and a soft landing, in which the Fed can slow the economy and bring down inflation while avoiding recession, is becoming more and more possible. This environment favors higher-beta fixed income, including asset-backed securities, high-yield bonds and emerging-markets debt. These are all sectors that would benefit from a more stable interest rate environment and a soft landing. Therefore, with yields being attractive - the highest they have been in many years - and inflation expected to trend lower, there are still opportunities to pick up bonds. This increased demand should push up bond prices from the lows of 2022, adding capital gains to interest payments, thereby generating a stronger total return for bond portfolios. Emerging market bonds have witnessed higher year over year demand year to date, pushing up the USD Emerging Bond index 2.37%.

Bonds	Current Rating	Indicative Price	Yield	Recommendation
ALSEA 2026 (7.75%)	Ba3/ Stable	102.90	6.75%	BUY
BERMUDA (3.72%) 2027	A2/ Stable	97.00	4.68%	BUY
DOMREP (6%) 2033	BB/ STABLE	94.00	6.87%	BUY
DOMREP (8.63%) 2027	BB/ STABLE	106.75	6.51%	BUY
DOMREP (5.5%) 2029	BB/ STABLE	95.60	6.46%	BUY
DOMREP (6%) 2028	BB/ STABLE	99.00	6.24%	BUY

Bonds	Current Rating	Indicative Price	Yield	Recommendation
DOMREP (5.95%) 2027	BB/ STABLE	100.25	5.87%	BUY
TPHLTT (9%) 2029	BB/ STABLE	106.25	7.67%	BUY
PRMRPA (10.75%) 2028	B/ Negative	104.75	9.53%	BUY
SFC (5.30%) 2028	BB-/ Positive	97.00	6.04%	BUY
DOMREP (6.88%) 2026	BB/ STABLE	103.00	5.54%	BUY
JAMAN (7.63%) 2023	B+/ Positive	104.25	5.21%	BUY
PYPL (2.85%) 2029	A-/Stable	101.75	4.87%	BUY
UNICMR (7.88%) 2024	BB-/ Stable	97.50	8.09%	SELL
NFE 2025 (6.75%)	BB-/ Stable	94.00	8.75%	HOLD
NFE 2026 (6.50%)	BB+/ Stable	100.00	6.12%	HOLD
PRIOBZ (6.13%) 2026	BB-/ Stable	101.25	5.68%	BUY
NETFLIX (6.13%) 2026	BBB/ Stable	103.75	5.05%	BUY
BACR (5.75%) 2026	BBB+/ Stable	100.00	5.75%	BUY
DOMREP (5.5%) 2025	BB/ STABLE	86.50	7.36%	BUY
DOMREP (5.88%) 2024	BB/ STABLE	101.00	4.76%	BUY
PEMEX (5.35%) 2028	BB-/ Stable	81.00	10.83%	SELL
DOMREP (6.6%) 2024	BB/ STABLE	101.25	3.89%	BUY
FRICON (7.7%) 2028	B+/ Stable	100.50	5.37%	BUY
TRITOB5.88%) 2027	BBB-/ STABLE	99.25	6.10%	HOLD
TRITOB (4.50%) 2026	BBB-/ STABLE	99.25	4.77%	HOLD
TRITOB (4.38%) 2024	BBB-/ STABLE	101.25	1.16%	HOLD

GOJ Globals

Ticker	Maturity	Bid	Offer Yield*
JAMAN	2028	103.95	5.55%
	2039	118.95	6.03%
	2045	114.90	6.58%

*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 (NCBOML) are adjusted to reflect the costs associated with completing the transaction on the respective client's behalf.

Local Corporate Bonds

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

Money Market

Last week, JMD money market liquidity increased following two consecutive weeks of declines, while USD money market liquidity continued to fluctuate. As of August 17th, a total of J\$19.65Bn was in the market, represented by the BOJ's aggregated current balances. This was a J\$4.31Bn increase from J\$15.34Bn the prior week. There were no BOJ interventions in the foreign exchange market via B-FXITT last week. On the other hand, 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 continued to increase for longer-tenured funds.

As it relates to money market rates, demand for money market instruments remains high with investors oversubscribing the recent BOJ auction. The average yield on the 30-day CD competitive price auction increased to 9.76% compared to 9.68% in the prior week. The auction was oversubscribed with bids received totaling J\$26.5Bn relative to the offer size of J\$20Bn. Consequently, the bid-cover ratio increased to 1.33 relative to a ratio of 1.15 in the prior week. The highest bid rate for full allocation was 11.00%, which is a decrease from 14.99% in the prior week. The next auction date for the Bank of Jamaica 30-day CD will be held on the 23rd of August. We continue to anticipate that the GOJ will enter the market in late August based on its schedule for this fiscal year. We await the announcement regarding the instrument and offer volume.

The BOJ released its policy rate announcement last week in which it continued to hold its policy rate at 7% as it watches the pass-through effects of previous rate hikes on deposit and loan rates. However, the BOJ noted that the uptick in inflation over the past three months is projected to continue for the remainder of the September 2023 quarter, driven by higher agricultural prices, education costs, and wage pressures. Although inflationary pressures have been sticky downwards in the last few months, inflation is anticipated to moderate over the 1 year forecast horizon, supported by the BOJ's monetary policy tightening and the softening in global prices as the risk of a global slowdown rises. Therefore, rates in the money market are expected to fall in line with the more favourable inflation expectation.

Dates to watch this week

■ International ■ Local

AUGUST 2023				
MON	TUE	WED	THUR	FRI
21	22	23	24	25
			LAB Annual/Extra-Ordinary General Meeting	

Recommendations

Ticker	Closing Price (Aug 21)	P/E	Avg. Sector P/E	Current Recommendation
WISYNCO	\$17.80	14.0x	13.7x	BUY
GK	\$76.30	10.0x	10.0x	BUY
IPCL	\$2.12	10.1x	17.1x	BUY
JBG	\$31.94	7.2x	13.7x	HOLD
ECL	\$5.08	20.3x	23.5x	BUY
CAR	\$8.34	11.1x	13.7x	BUY
CPJ	\$9.64	15.5x	13.7x	BUY
KW	\$27.80	14.3x	22.1x	HOLD
FESCO	\$3.74	16.2x	14.2x	BUY
PBS	\$1.80	34.0x	16.3x	HOLD
SOS	\$2.03	1.8x	25.8x	BUY
TJHUSD	\$0.02	21.7x	16.3x	BUY
TJH	\$2.56	13.6x	22.1x	BUY
KEX	\$11.30	18.5x	23.5x	BUY
LASM	\$3.04	10.0x	22.5x	BUY
LASD	\$5.35	10.5x	14.2x	BUY
SALF	\$3.04	19.0x	13.7x	SELL
MDS	\$4.85	21.1x	17.1x	BUY
MEEG	\$14.19	11.7x	23.5x	HOLD

Regional News

Guyana has capacity for only one oil refinery now – Jagdeo (Guyana Newroom)

One week after Guyana and the Dominican Republic signed an agreement for the establishment of an oil refinery Vice President, Dr. Bharrat Jagdeo says there are no immediate plans to build a second facility. “We are still exploring one refinery but we have several interests.” In January this year, it was announced that nine proposals were submitted to the government for the design, financing and construction of a local oil refinery at Crab Island, Region Six (East Berbice-Corentyne). The Vice President acknowledged those proposals and noted that the first round of evaluation is complete; the government is now awaiting more information. During a recent State visit to the Dominican Republic, President Dr. Irfaan Ali and his counterpart, President Luis Abinader, signed a Memorandum of Understanding (MoU) for the establishment of an oil refinery in Guyana that could possibly refine at least 50,000 barrels of oil daily. With this new venture, it was noted that the Dominican Republic will be the majority shareholder, with a 51% stake.

Meanwhile, Dr Jagdeo on Thursday noted that “A number of other countries are sending in proposals. If it goes forward, it has to be on conditions that are good for the country and meet financial and technical requirements.” He added, “We don’t have the capacity for two refineries now.” However, he noted that while this is being reviewed, the government is simultaneously looking at storage and strategic reserves. “With Trinidad, there were some discussions but if we are doing a refinery, it will be here because it defeats the purpose to have the refining done in Trinidad.” The Vice President emphasised that one of the reasons the government wanted a refinery was to ensure national energy security. “We are exploring what it would take to toll some of our crude and what fee we have to pay for tolling it and bringing back refined products and storing them. “That might, from initial numbers, it could not only guarantee national energy security but also significantly allow for cheaper cost of energy,” the Vice President reasoned.

Brazil Govt Pushes Congress To Approve ‘Green’ Bills Before COP28 (Reuters)

Brazil’s government expects Congress to approve a series of energy transition-related bills in the next 100 days that it believes will boost the country’s decarbonization credentials at the upcoming COP28

climate summit. Rodrigo Rollemberg, a secretary at Brazil’s development ministry, said that the package of bills are set to include projects aimed at increasing the use of renewable fuels and regulating related sectors, such as offshore wind farms. This would allow the South American country to strengthen its “green” commitment as nations worldwide prepare to gather in November and December in Dubai for yearly climate talks held by the United Nations. Rollemberg said the government-sponsored bills would be focused on four main topics: establishing a new carbon market, regulating offshore wind power, launching the “Fuel of the Future” project, and regulating green hydrogen. The “Fuel of the Future” project, the secretary noted, would look to stimulate the production of sustainable aviation fuel (SAF) in Brazil, which Boeing recently touted as a potential top player in the sector. The government expects to encourage using degraded farmland to drive SAF output. Other proposals include raising the required ethanol blending into gasoline to 30% from the current 27%, Rollemberg said. One of the most advanced proposals, he added, is the one that would create a regulated carbon market in the country. The secretary said that bill might be submitted to Congress as early as next week. Overall, Brazil has a unique opportunity in the second half to finish the year, giving out very strong signals to domestic and international markets that it is the country that really intends to lead the transition to a green and low-carbon economy.

International News

Economists Lift US Growth Forecast, See Fed Higher for Longer (Bloomberg)

Economists see a stronger US economy into the next year and a smaller rise in unemployment, supporting expectations that the Federal Reserve will keep interest rates higher for longer. Gross domestic product is expected to advance an annualized 1.8% in the third quarter, nearly quadruple the 0.5% pace projected in July, according to economists’ latest Bloomberg monthly survey. They also see the economy expanding somewhat in the last three months of the year, rather than contracting. While forecasters are now projecting a stronger economy across the board, consumer spending — which accounts for about two-thirds of GDP — is driving momentum as Americans continue to spend at a healthy pace. Economists have been growing more optimistic that the US can dodge a recession as inflation cools without doing much damage to the labor market. While Americans will have to contend with the resumption of student-loan

payments and high borrowing costs in the coming months, a strong job market is expected to keep powering spending.

“There are several headwinds facing US consumers over the coming months,” said Brett Ryan, senior US economist at Deutsche Bank AG. “However, the undeniable resilience over the first half of the year and strong start out of the gate in Q3 have raised the probability that the economy may avoid slipping into recession – at least in the near term.” Consequently, economists see the US economy growing 2% on average this year and 0.9% in 2024 — above last month’s estimates of 1.9% and 0.5% in 2023 and 2024, respectively. They also expect the global economy to expand more than initially projected this year, echoing more optimistic forecasts from the International Monetary Fund and World Bank.

Economists in the survey now see the Fed holding interest rates higher for longer amid risks that a stronger economy will keep inflation above their goal. While economists don’t see further hikes on the horizon, they also don’t expect the central bank to cut rates until the second quarter of next year — which is three months later than July’s estimate. However, economists did revise their expectations for bond yields through the end of 2025. The two-year Treasury yield is now seen ending the current quarter at 4.82% compared to last month’s projection of 4.65%. The recent trend of disinflation is expected to continue. Excluding food and energy, forecasters now see the personal consumption expenditures price index cooling more quickly through the end of this year compared to their July projections. Their estimates for the overall Personal Consumption Expenditure (PCE) measure — which is the Fed’s preferred inflation target — were little changed. Even so, they see another popular inflation gauge — the consumer price index — rising by more than previously thought. At the same time, unemployment estimates were marked lower through the end of next year and hiring was seen higher, also supportive of a soft landing.

[Euro Zone Inflation Fall Confirmed, Easing Pressure On Eastern Central Bank \(ECB\) To Hike \(Reuters\)](#)

Eurozone inflation slows further, and even underlying price pressures appear to have peaked, Eurostat data showed on Friday, easing pressure on the European Central Bank to keep raising rates after its fastest rate-hike cycle on record. The ECB has lifted rates from deep in negative territory to two-decade-highs in just a year to combat a historic surge in inflation. However, policymakers are now contemplating

whether they have done enough to put price growth back on a path to 2%. Consumer prices increased by 5.3% in July versus 5.5% in June, extending a downtrend that started last autumn. Meanwhile, price growth, excluding food and energy, the underlying measure closely watched by the ECB, was flat at 5.5%. Services inflation, however, picked up to 5.6% from 5.4%, a potential worry since wages heavily drive services costs and tend to be sticky.

The relatively benign figures are not likely to settle the ECB’s dilemma on rates, and markets still expect once more rate hike, to 4%, this year, even if not necessarily in September. Policymakers are pulled in opposing directions by incoming data. Underlying price pressures are still strong, and the labour market is unusually tight, suggesting that wage pressures will persist as workers enjoy superb bargaining power. This could perpetuate high inflation, and markets see price growth holding above 2% for years to come, suggesting that getting down to 3% will be easy, but the last mile of disinflation is seen as painfully difficult. However, economic growth is stagnating, investment is falling, and overall consumption is flat, at best, suggesting that price pressures should ease as the economy suffers. Energy prices, a key culprit of the earlier surge, are now sharply lower, and this, too, will eventually feed through to consumers, even if with a lag.

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.

NCB Capital Markets Limited ("NCBCML") through its representative(s) has provided information to you on various financial products and services and investment opportunities for information and educational purposes only. While NCBCML has made every effort to ensure that the information provided to you is accurate and based on research and analysis that we have carried out or derived from sources that we believe to be accurate and reliable, NCBCML makes no representations or warranties about the accuracy, completeness or suitability for any purpose of the information published and will not be liable for any loss which you or anyone else may suffer in reliance on the information we have provided to you. This Report does not take into account the specific investment

objectives, financial situation or particular needs of any specific recipient and therefore this Report should not be regarded by recipients as a substitute for the exercise of their own judgment or for obtaining advice directly from one of our investment advisors.

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.