

Market Guide

THIS ISSUE

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“The individual investor should act consistently as an investor and not as a speculator” ~ Ben Graham

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Major Causes of JSE Trade Suspensions & Delisting; Implications

The Jamaica Stock Exchange (JSE) remains bearish, but as investors await an improvement in the investment climate and turnaround in stock prices, the importance of companies meeting stock exchange regulations, and investors being diligent, have been thrust in the limelight with last month's events related to iCreate Limited. Due to its significant delay in publishing its 2022 audited financials and annual report, and hence non-adherence to JSE's Junior Market Rules, on August 21, 2023, the JSE advised the investing public that it took the decision to immediately suspend trading in the shares of the company, pending the submission of the financial statements. This infringement by iCreate and response by the JSE begs the questions: "What other major Junior and Main Market rules exist to foster the prudent behaviour of listed companies? What recourses are available to the JSE? What are the implications for investors?"

Given the importance of the release of financial statements to investors, one of the most important JSE rules is that related to financial disclosures, for which the recourse for non-compliance is trade suspension. Disclosures of relevant financial information by companies decrease sentiments of mistrust and speculation thereby improving investor confidence in making informed investment decisions. Considering the importance of transparency, once listed, the JSE expects companies to make the following financial disclosures on an ongoing basis:

- Submit Quarterly Financial Statements at intervals not exceeding three (3) months and within forty-five (45) days of the end of the period to which the statements relate.
- Submit Audited Financial Statements within ninety (90) days of the company's financial year-end, or in keeping with the fourth quarter option¹.
- Submit the Annual Report within one hundred and twenty (120) days of the company's financial year-end.

Despite its importance, history has shown that this is the most common rule broken, with the iCreate scenario being the most recent. With iCreate's financial year ending December 31st of each year, the company should have posted its 2022 audited financial statements by March 31 2023, and annual report by April 30, 2023; however, by August they were still not published. The JSE's recourse for the untimely or non-publication of financial statements is trade suspension, which JSE did to iCreate's shares on August 21, 2023. Suspension of trading shares due to late submissions of financial statements has occurred nine times since 1997². Often, the causes of late submission have been owing to trends of dwindling profitability or interminable changes in board directors (possibly due to disagreements about governance issues), which infringes on the ability to finalize financial statements, especially if the changes are happening in the Audit Committee. The suspension of Dyoil³ Group Ltd. Shares in March 2005 is a prime

¹ The fourth-quarter option allows a company to first release a fourth-quarter unaudited report, and then the subsequent audited full-year financials, instead of directly proceeding with the audited full-year report after the unaudited third quarter report.

² The nine companies include: iCreate being the most recent, Ciboney, Dyoil Group Limited, Salada Foods, Seprod, Stocks and Securities Limited Venture Capital (SSLVC) was suspended on two occasions, Sweet River Abattoir and Supplies, Tree of Knowledge International Corporation

³ Dyoil was a Jamaican incorporated insurance company with policyholders and insurance licenses in Jamaica and the Cayman Islands. It faced claims in excess of \$70 million following Hurricane Ivan in 2004, which it could not pay.

WEEKLY MOVEMENT IN INDICES



MOVEMENT IN INDICES

JSE Indices	Closing Levels	WoW % Change	YTD % Change
Combined Index	333,622.92	-1.4%	-9.5%
Main Market Index	320,354.20	-1.3%	-10.0%
Select Index	7,895.98	-1.8%	-11.2%
Junior Market Index	3,791.88	-1.6%	-4.9%

WINNERS & LOSERS (FOR THE WEEK ENDED SEPT. 08, 2023)

	\$ Change	% Change
CFF	+\$0.19	+17.6%
MTL	+\$2.25	+16.0%
CAC	-\$1.48	-29.60%
SALF	-\$0.53	-17.43%

MARKET OVERVIEW

In contrast to the prior week, when the majority of indices advanced, trading activity for last week resulted in a majority of the indices (7/9) declining. The JSE Financial Index and the All Jamaican Composite Index had the largest week-over-week (WoW) falloff, declining 2.23% and 1.86%, respectively. Reduction in NCB Financial Group Ltd. (-2.45%) and Sagcor Group Jamaica Ltd. (SJ) (-4.66%) shares were the main drivers of the falloff in the Financial Index. There was no direct news to support the movement in these stock prices. However, SJ advised that it will consider inter alia, the payment of a second interim dividend to the shareholders of the company.

The JSE Cross Listed (+0.93%) and the Manufacturing & Distribution Indices (+0.37) were the only ones to advance. Of the two advancing indices, the Cross Listed Index had the more significant WoW gain, buttressed by an appreciation in the share prices of Massy Holdings Ltd (Massy) and, to a lesser extent, MPC Caribbean Clean Energy Ltd. (MPCCCEL) of 2.06% and 0.36%, respectively. There was no direct news to support the price appreciations. The Manufacturing and Distribution Index was largely buoyed by a 6.46% WoW upside in the share price of Seprod. On September 5th, the Group released its 2022 annual report which reiterated its strong financial performance. It ended the year with net profit from continuing operations attributable to shareholders of \$2.32Bn (+8.57%) and \$78.4Bn in revenues, up 78.73%. The acquisition of A.S. Bryden Holdings, and a 22% growth in exports, aided by an expansion and deeper penetration of its distribution footprint, primarily in the Caribbean and North America, were key drivers of Seprod's performance. Importantly, year to date, the company continues to see increases in its top and bottom lines. Seprod achieved revenues of \$54.46Bn, a 96% improvement over the corresponding period in 2022, and a net profit of \$2.54Bn, which rose 61% over the prior period due to continued growth in the business post the ASB acquisition in June 2022, and a 45% increase in export sales. The elimination of third-party warehousing costs also contributed to the company's bottom line. As Seprod continues to expand its regional footprint, the AS Bryden Group will continue to be a key driver of growth for the company. Furthermore, significant progress has been made in its modernization of the margarine plants, which is expected to benefit Seprod's bottom line as the company prepares for more exports of the different types of margarine, inclusive of bulk for the baking and food industry; and hard stick and soft table margarine for home use.

Market activity resulted from trading in 120 stocks, of which 42 advanced, 69 declined, and 9 traded firm. Market volume amounted to 61,067,888 units valued at over \$347,587,235.81. The volume leaders were JMMB Group Ltd. 7.50% with 9,178,295 units (14.60%) TransJamaican Highway Ltd. with 7,873,515 units (12.53%) and Future Energy Source Company LTD Ordinary Shares with 5,150,662 units (8.19%)

example of delays due to financial distress. The company's shares were suspended from trading due to it being unable to finalize its unaudited quarterly financial report at the time. Additionally, Dyoll was unable to retain the services of an auditor to begin the audited statements for its year-end 2006 because of a lack of money⁴ as it incurred large losses due to an influx of new claimants in Cayman who suffered from Hurricane Ivan. The company was eventually liquidated by the Financial Services Commission. Another example is Tree of Knowledge Corporation, which, after consecutive years of negative profits, stopped publishing its financials in 2020 and was eventually delisted⁵ in February 2021. In February 2021, based on the historical examples of suspensions due to untimely financial disclosures to the JSE, the most common reason appears to be poor financial performance and reluctance to share news about same with investors. Considering this, if a company is successful in remedying this breach, investors should be critical once financials are published (especially if they are unaudited), make note of any changes in auditors, possible window dressing, among other financial statement manipulations.

There are other rules that once breached warrant suspended trading or even delisting of shares as per JSE rules. Rule 411 in the main market rule book and Rule 505(14a) in the junior market book cover most of these scenarios. According to these rules, the JSE in its own discretion, can either delist the company or suspend trading of the company's shares: (i) if the company fails or ceases to comply with any of the requirements around listing (ii) if there are any changes to the Articles of Incorporation of the company which make it undesirable that the securities of the company should

be listed on the Exchange; (iii) if any fee for listing has not been paid within fourteen (14) days of the due date; (iv) if in the opinion of the Exchange, the company is guilty of conduct calculated to affect substantially in an adverse manner, an orderly market for its securities; and (v) no application has been made by the listed company to suspend trading or delist on account of a pending takeover, merger, or amalgamation; or non-compliance with other principles around same to ensure that shareholders' interest are kept as priority. A decision on an offer in a takeover or M&A should not be made without the shareholders' input. The general principles aim to keep the flow of information to shareholders constant so that informed decisions can be made, and to discourage the creation of a false market⁶. Notably, in addition to the aforementioned rules, trades could be suspended if companies do not meet the board composition requirements to support transparency, which is one of the agreements to remaining listed. According to JSE rules, junior market companies must have at least 2 independent non-executive directors, while main market companies' Audit Committees must mainly be comprised of independent non-executive directors. On August 9, 2019, trading in Sweet River Abattoir and Supplies Company Limited (SRA) shares, a junior market company, was suspended for not having any independent non-executive director on its board. It failed to remedy the situation and was later delisted on February 10, 2020. It is important that investors assess the level of independence on the various boards of companies they invest in, as independent directors help to oversee the activity of the executive and non-executive members with affiliation to the company in question. They can foster more efficiently run companies by: evaluating

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if management teams are meeting the business' goals and objectives; ensuring transparency around financial reporting; and ensuring responsibilities towards stakeholders, including shareholders, are understood and accomplished.

So what impact does the suspension of trades or delisting of shares have on investors? An immediate implication of the suspension for shareholders, is the liquidity risk because they will not be able to sell the shares until the suspension is lifted and trading resumed. This leaves them vulnerable to negative market sentiment towards the stock once the suspension is lifted. An example of this, was following the lifting of a suspension of trading on Stocks and Securities Limited Venture Capital (SSLVC) (now rebranded as MFS Capital Partners Limited) in 2019. After trading resumed on October 2, 2019⁷, the stock price fell from \$1.61 to \$1.09 on October 8, 2019, reflecting a 67.7% decline in a mere six days. In the event that a company does not remedy its breach, the decision to delist can be made at the discretion of the JSE, or

4 JSE

5 A stock is "delisted" when it is removed from a major public stock exchange like the JSE or Nasdaq. This could be due to failing to meet requirements to trade publicly on the exchange or when companies request to change to a private company.

6 A false market is a financial market that inaccurately represents the reality of the situation. Investors and traders rely on accurate information to make buying and selling decisions in the financial markets. A false market arises when prices are manipulated and impacted by information that is not true.

7 SSLVC was first suspended effective June 24, 2029 based on JSE archives.

via a voluntarily choice by the business. This is the worst-case scenario for investors, as this will mean that investors will still own the stock but will not have a formal exchange on which to trade them. Investors will have to source buyers on the over-the-counter market⁸, and the stock will be difficult or impossible to sell given that it was delisted for not meeting regulations. This reflects poor governance on the part of the company and lack of transparency, which will significantly undermine investor confidence. Given that the JSE does not give a forewarning before a suspension, in order to protect the integrity of the company as a warning may negatively affect the stock price, investors must remain meticulous in evaluating their investments. They must keep abreast of the associated companies' performance, timely or untimely release of financials, board compositions and constant changes in same, transparency in company disclosures, and overall adherence to listing regulations such that they can exit before there is an event of trade suspension. Investors must take note, as these events can occur again, depending on how external and internal factors influence firms' profitability, liquidity, and solvency. At the end of the day, it all boils down to ensuring that you invest in companies with good governance. That is, invest in companies with a clear strategic direction and consistent execution of plans to get there; and concentration on maintaining business integrity through adherence to all necessary regulations. This helps to promote the long-term financial viability of the company, and opportunities as well as returns for investors.

Foreign Exchange Market

The Jamaican dollar depreciated by 0.17% relative to the USD, week over week, with the USD selling rate moving from J\$155.18 on September 1, 2023, to J\$155.45 on September 8, 2023. This depreciation was primarily due to excess demand of USD in the market. Notably, this increase is a cyclical demand that is usually seen this time of the year as the summer period normalises.

Selling	Close: 01/9/23	Close: 08/9/23	Change
J\$/US\$1	\$155.18	\$155.45	+\$0.27
J\$/CDN\$1	\$114.43	\$113.99	-\$0.44
J\$/GBP£1	\$197.68	\$195.43	-\$2.25

Global Bond Prices

Job market figures and releases on the Service Purchasing Manager Index (PMI)⁹ pointing to some stability in the US economy, represent good news for the growth outlook, but do not bode well for the Fed's efforts to dampen demand and tame inflation. The U.S. services sector unexpectedly gained steam in August, with new orders firming and businesses paying higher prices for inputs pointing to potential signs of still elevated inflation pressures. The non-manufacturing PMI registered at 54.5%, a 1.8-percentage point increase compared to the previous month, the highest reading since February and up from 52.7 in July. The results were enhanced by increases in the Business Activity¹⁰ and Employment indices¹¹. A reading above 50% indicates the services sector¹² economy is generally expanding, while below 50% indicates it is generally contracting. On the other hand, the manufacturing PMI contracted in August for the 10th straight month. The latest Institute for Supply Management (ISM) data release confirms the strength of the US service sector, including employment and prices paid, and the numbers are consistent with services continuing to drive both growth and inflation. While Fed views the services sector as key to bringing inflation down to their 2% target, the recent report does little to bolster the view that any slowdown is underway.

Last week's data showed that the U.S. labour market remains relatively tight, even as other data indicate it has begun to soften. Initial claims for state unemployment benefits fell 13,000 to 216,000 in the week ended September 2nd from a revised 229,000 in the prior week. This was the lowest since the same level was touched in the week ended February 11, marking the fourth straight weekly decline. However, the unemployment rate rose to 3.8% from 3.5%, the highest level since February 2022 though still low by historical standards. The rate increase was driven by a rise in the labour force participation rate¹³ to the highest in more than three years. Notably, the Fed wants hiring to slow as intense demand for labour tends to inflate wages and feed inflation. The central bank hopes to achieve a rare "soft landing", in which its rate hikes would manage to slow hiring, borrowing, and spending enough to curb inflation without causing a deep recession.

News of a robust labour market resulted in elevated U.S. Treasury yields. Treasury yields were lower ahead of the update on jobless claims but jumped to session highs following their unexpected decline. Consequently, signs of economic resilience amid a slower-than-desired disinflationary process have led investors to expect that the Fed will hold rates at

⁸ Stocks are bought and sold here where the companies who participate do not meet the official requirements to be listed on major stock exchanges.

⁹ The Purchasing Managers' Index (PMI) is an index of the prevailing direction of economic trends in the manufacturing and service sectors. It consists of a diffusion index that summarizes whether market conditions are expanding, staying the same, or contracting as viewed by purchasing managers.

¹⁰ Business Activity Index registered 57.3% in August, an increase of 0.2 percentage point from the reading of 57.1% in July, indicating growth for the 39th consecutive month. Comments from respondents include

¹¹ Employment activity in the services sector grew in August for the third consecutive month after contracting in May, with three consecutive months of growth before that. The Employment Index registered 54.7%, up 4 percentage points from the July figure of 50.7%.

¹² The services sector which accounts for more than two-thirds of the economy.

¹³ The labor force participation rate represents the number of people in the labor force as a percentage of the civilian non-institutional population.

these high levels for longer than expected, regardless of whether or not they hike or hold at upcoming meetings. The 10-year yield closed at 4.25% from 4.18%. The higher yield bodes well for bond investors who are able to lock in at the higher rates now before rates begin to normalise.

Bonds	Current Rating	Indicative Price	Yield	Recommendation
ALSEA 2026 (7.75%)	Ba3/ STABLE	103.50	6.53%	BUY
BERMUDA (3.72%) 2027	A2/ STABLE	97.00	4.69%	BUY
DOMREP (6%) 2033	BB/ STABLE	93.50	6.95%	BUY
DOMREP (8.63 %)2027	BB/ STABLE	106.25	6.64%	BUY
DOMREP (5.5%) 2029	BB/ STABLE	95.70	6.45%	BUY
DOMREP (6%) 2028	BB/ STABLE	98.50	6.36%	BUY
DOMREP (5.95%) 2027	BB/ STABLE	99.75	6.03%	BUY
DOMREP (6.88%) 2026	BB/ STABLE	103.00	5.51%	BUY
DOMREP (5.5%) 2025	BB/ STABLE	101.25	4.54%	BUY
DOMREP (5.88%) 2024	BB/ STABLE	101.50	3.29%	BUY
DOMREP (6.6%) 2024	BB/ STABLE	101.50	2.48%	BUY
TPHLTT (9%) 2029	BB/ STABLE	106.50	7.61%	BUY
PRMRPA (10.75%) 2028	B+/ POSITIVE	106.40	9.10%	BUY
SFC (5.30%) 2028	BB-/ POSITIVE	96.75	6.11%	BUY
JAMAN (7.63%) 2023	B+/ POSITIVE	104.25	5.15%	BUY
PYPL (2.85%) 2029	A-/STABLE	89.75	4.83%	BUY
PRIOBZ (6.13%) 2026	BB-/ STABLE	99.00	6.52%	BUY
NETFLIX (5.86%) 2028	BBB/ STABLE	104.50	4.88%	BUY
BACR (5.75%) 2026	BBB+/ STABLE	101.00	5.38%	BUY
PANAMA (3.88%) 2028	BBB-/ STABLE	95.5	5.00%	BUY
PANAMA (3.75%) 2025	BBB-/ STABLE	99.00	4.45%	BUY
FRICON (7.7%) 2028	B+/ STABLE	88.50	10.80%	BUY
UNICMR (7.88%) 2024	BB-/ STABLE	101.25	5.50%	SELL

Bonds	Current Rating	Indicative Price	Yield	Recommendation
PEMEX (5.35%) 2028	B1/ NEGATIVE	83.75	9.99%	SELL
NFE 2026 (6.50%)	BB-/ STABLE	95.25	8.30%	HOLD
NFE 2025 (6.75%)	BB-/ STABLE	99.5	7.02%	HOLD
TRITOB (5.88%) 2027	BBB-/ STABLE	100.25	5.80%	HOLD
TRITOB (4.50%) 2026	BBB-/ STABLE	98.75	4.97%	HOLD
TRITOB (4.38%) 2024	BBB-/ STABLE	101.75	-0.84%	HOLD
PANAMA (6.70%) 2036	BBB-/ STABLE	105.25	6.09%	HOLD

GOJ Globals

Ticker	Maturity	Bid	Offer Yield*
JAMAN	2028	103.20	5.75%
	2039	116.90	6.21%
	2045	113.05	6.73%

*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 (NCBML) 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 continued declining for the second consecutive week, while USD money market liquidity continued to fluctuate. As of September 7th, a total of J\$30.27Bn was in the market, represented by the BOJ's aggregated current balances. This was a J\$4.61Bn decrease from J\$34.88Bn the prior week. There were no BOJ interventions in the foreign exchange market via B-FXITT last week. On the demand side, broker demand for JMD remained relatively moderate, particularly for short-term funds. Similarly, rates in the retail market have also 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.

Demand for money market instruments remains high with investors oversubscribing the recent BOJ auction. However, the average yield on the 30-day CD competitive price auction inched down to 9.57% compared to 9.60% in the prior week. The auction was oversubscribed with bids received totaling J\$43.87Bn relative to the offer size of J\$25.00Bn. Consequently, the bid-cover ratio increased to 1.75 relative to a ratio of 1.48 in the prior week. The highest bid rate for full allocation was 9.799%, down from 10.30% in the prior week. The next auction for the Bank of Jamaica 30-day CD will be held on the 13th of September. There will be a tender offer for T-bills in October. The subscription date for the auction will be on October 11th and will settle on the 13th.

Dates to watch this week

■ International ■ Local

September 2023				
MON	TUE	WED	THUR	FRI
11	12	13	14	15
RJR Dividend Payment Date (\$0.016)	CAR Dividend Payment Date (\$0.19)	SIL Dividend Payment Date (USD\$0.000429)	CAR Annual/Extra-Ordinary General Meeting	CPFV Dividend Payment Date (BDS\$0.0015)
RPL Annual/Extra-Ordinary General Meeting	MAILPAC Dividend Payment Date (\$0.04)			EPLY Dividend Payment Date (\$0.052)
US Consumer Inflation Expectations	UK Unemployment Rate (Jul)	UK GDP (YoY, MoM (Jul))	US Core CPI (YoY, MoM)	Consumer Price Index (Aug 2023) (STATIN)
			CPI (YoY, MoM)	US Core PPI (YoY, MoM) (Aug)
				PPI (YoY, MoM) (Aug)

Recommendations

Ticker	Closing Price (Sept 11)	P/E	Avg. Sector P/E	Current Recommendation
WISYNCO	\$17.82	13.6x	12.9x	BUY
GK	\$70.37	9.2x	9.6x	BUY
IPCL	\$2.05	9.8x	16.0x	BUY
JBG	\$31.64	6.9x	12.9x	BUY
ECL	\$4.90	19.5x	21.1x	BUY
CAR	\$8.16	10.9x	12.9x	BUY
CPJ	\$9.74	15.7x	12.9x	BUY
KW	\$27.75	14.2x	22.9x	HOLD
FESCO	\$3.32	14.4x	14.2x	BUY
PBS	\$1.80	33.9x	16.2x	HOLD
TJHUSD	\$0.02	21.7x	16.2x	BUY
TJH	\$2.60	13.8x	22.9x	BUY
SOS	\$1.80	14.4x	14.2x	HOLD
KEX	\$11.01	18.0x	17.2x	BUY
SALF	\$2.51	15.7x	12.9x	SELL
INDIES	\$3.10	20.7x	16.0x	HOLD
LASM	\$5.28	9.9x	20.5x	BUY
LASD	\$4.21	9.9x	14.2x	BUY
MDS	\$4.02	17.5x	16.0x	HOLD
MEEG	\$16.67	13.8x	28.5x	BUY

Regional News

Gov't Withdraws G\$41.6 Billion More From Oil Fund (Guyana Newsroom)

Senior Finance Minister Dr Ashni Singh has announced that the Government has made its third and fourth drawdown this year from the Natural Resource Fund in accordance with the Natural Resource Fund (NRF) Act 2021. The Minister indicated that under Section 16 of the NRF Act 2021, in August and September, US\$100 million each, representing a further US\$200 million, equivalent to G\$41.6 billion, has been transferred from the Natural Resource Fund to the Consolidated Fund to finance national development priorities. It would be recalled that in February and May of this year, the Government made withdrawals totalling US\$400 million, equivalent to G\$83.2 billion. This brings the accumulated withdrawals from the NRF for the year 2023 to US\$600 million, equivalent to G\$124.8 billion. In keeping with the NRF Act 2021, as part of the Budget 2023 process, Parliamentary approval was granted for a total of US\$1.002 billion to be transferred during fiscal year 2023. The People's Progressive Party/Civic (PPP/C) Government will continue to work aggressively through sound and transformative investments of oil resources from the NRF, utilising these resources in a clear and transparent manner, to the benefit of present and future generations.

Caribbean Organisations Rally For Biden Administration's Support And Engagement With Climate Change (Caribbean News Now)

The call for increased support to safeguard vulnerable states, particularly in the Caribbean region, has become louder and more persistent. Over 50 Caribbean organizations have written to President Biden and Treasury Secretary Yellen urging them to support the region facing debt and climate crises. The groups, led by the Caribbean Policy Development Centre (CPDC), are asking for a significant allocation of Special Drawing Rights (SDRs) from the International Monetary Fund (IMF), debt relief, an end to IMF surcharges, and funding for climate-related losses and damages to help the region during a period of economic vulnerability and increasing climate disasters. "The Caribbean is one of the most indebted regions in the world," the group said in a collective letter reported by the Dominica News Online. "Total debt has risen to 74% of the region's GDP, with debt in countries including Barbados, Suriname, Belize and Jamaica surpassing 100% of GDP. Latin America and the Caribbean collectively spend almost 10 times more on debt payments than healthcare and 30 times more

on climate adaptation." The letter also underscored the severe impact of the simultaneous challenges of rising debt burdens and climate change in our region. It emphasizes that as essential resources are diverted to manage increasing debts, there is limited capacity left to adequately prepare our nations for the ongoing and relentless threat posed by climate catastrophes. Moreover, Caribbean nations have consistently emphasized the importance of establishing a fund to address loss and damage. Despite verbal support from the US for this fund, it currently lacks adequate funding. This situation could potentially be transformed through active US leadership and financial contributions.

International News

Fed Policymakers To Sit Tight On Rates, Debate If More Is Needed (Reuters)

Ahead of their policy-setting meeting this month, Federal Reserve policymakers have been pretty clear about two things: They are not itching to raise interest rates, but few among them are ready to declare victory, either. The U.S. central bank has lifted its policy rate by 5.25 percentage points over the last 18 months, raising the cost of borrowing for households and businesses to temper demand and cool what had been 40-year high inflation. Those higher rates have begun to bite: Job growth has slowed, and inflation in the last couple of months has come down sharply, hitting 3.3% by the Fed's preferred measure in July, down from 7% last summer. However, for now, even the Fed's more hawkish policymakers are content to let the data play out, even as they monitor whether surprisingly strong consumer spending and a still-tight labor market could feed inflationary pressures. "Another skip could be appropriate when we meet later this month," Dallas Fed President Lorie Logan said late on Thursday. "My base case, though, is that there is work left to do." Notably, while fellow policymakers hold a range of views, none have pushed back strongly against broad financial market expectations that the Fed will leave its policy rate in the current target range of 5.25%-5.5% at that meeting.

Canada Gains More Jobs Than Expected In August, Wage Growth Accelerates (Reuters)

Canada's economy added almost three times the number of jobs expected in August and wage growth accelerated, data showed on Friday, a sign of underlying strength despite high interest rates. Canada created 39,900 jobs, compared with a median

forecast for a gain of 15,000 and the unemployment rate remained at 5.5%. The labor market has been resilient even as the Bank of Canada (BoC) raised its key overnight rate 10 times since March 2022 to cool the economy. The average hourly wage for permanent employees, a figure the central bank watches closely, rose by 5.2% from August 2022 compared to a year-on-year increase of 5.0% in July. The BoC has repeatedly expressed concern that it will be hard to fully curb inflation if wages maintain their current patterns of rising between 4% and 5% annually. “Showing that uptick on a year-over-year basis was not anticipated and I think that will not give the Bank of Canada a great degree of comfort,” said Andrew Kelvin, chief Canada strategist at TD Securities. The central bank stayed on the sidelines last Wednesday but said on Thursday it might have to tighten monetary policy further. It had hiked rates by a quarter of a percentage point in both June and July. Importantly, Canada’s gross domestic product unexpectedly shrank an annualized 0.2% in the second quarter, a sign the economy could have already entered a recession as higher rates sink in. BoC Governor Tiff Macklem on Thursday said he did not think the economy had entered a recession.

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