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“A market downturn doesn’t bother us. It is an opportunity to increase our ownership of great companies with great management at good prices.” ~ Warren Buffett.

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Stock Market Activity Depressed But Opportunities Remain For Patient Investors

Despite the recovery in the economy, stock market activity remains depressed due to still elevated inflation and higher market interest rates. Tighter monetary policy conditions have resulted in a sharp decline in liquidity and a reduction in the flow of funds to stocks as investors continue to favour lower-risk money market instruments over riskier assets such as stocks. These factors, together with uncertainties in the market have negatively impacted investor sentiment causing stock prices to fall, as reflected in the decline in the key market indices, and overall trading activity. Primary market activity, as measured by the number of IPOs and APOs, has also seen a significant reduction. Furthermore, in line with the low investor sentiments, the recent offers that have come to market have also not experienced the same level of investor demand, as reflected in lower subscription volumes. Nonetheless, price appreciation post-listing remains strong for most new listings. Despite the uncertainties around when interest rates may fall and the risks to global growth, local companies continue to recover and benefit from the rebounding economic activity and private consumption, supported by low unemployment levels¹. Furthermore, though market activity remains lacklustre, there are existing listings that are undervalued despite strong performance and positive outlooks as the companies expand product or service offerings, enter new markets, and/or improve efficiency. These companies present significant investment opportunities for the patient investor.

Despite the ongoing rebound in economic activity, local stock market activity continues to be depressed and has not witnessed the kind of recovery seen in the US. Overall market volume continues to trend downwards as reflected by the year-to-date (YTD) decline in market volume (Combined Market) of 30.4% and 35.9%, relative to the similar period in 2022 and full year for 2019, respectively. As Figure 1 shows, the major JSE stock indices have largely fallen since 2019, except for the junior market which remained resilient during the pandemic, but has given up ground in 2023. For the primary market, the total number of new listings has fluctuated over the last 4 years (see Figure 2). New listings rose in 2022 to 6 from 3 in 2021 and 4 in 2020 aided by the strong economic performance, and increased optimism from the lifting of COVID-19 restrictions. Despite this increase in new listings that year, trading activity on the secondary market was lower for almost all indices, except the junior market index. Furthermore, year to date in 2023, new listings are down compared to the same period in 2022. At this time in 2022, there were already approximately 3 more IPO listings on the JSE² compared to only 1 IPO so far this year, though APOs are higher by 1 this year relative to last. Tight liquidity conditions, higher for longer interest rates, depressed secondary market activity and weak sentiment especially among retail investors, have created market conditions that are less favourable for companies looking to raise funds via the stock market this year. As such, there has been a decline in the number of new



¹ Jamaica's unemployment rate fell to a new record low 4.5% in April 2023, according to the Statistical Institute of Jamaica (STATIN) Labour Force Survey for the period. This was 1.5 percentage points lower than the out-turn for the corresponding timeline in 2022.
² At this time in 2022, there were approximately 4 IPOs and 1 APO on the JSE. However, since 2023, there has been one IPO by One Great Studio and two APOs by 138 Student Living (138SL) and NCB Financial Group (NCBFG).

primary market offers. The volatility is also influenced by low liquidity to support stock purchases, especially among institutional investors, as the BOJ keeps monetary policy tight to contain inflation and high returns on lower-risk money market instruments. This was reflected in the newest IPO only being oversubscribed by 60%, in contrast to past IPOs for companies such as One-on-One, Dolla Financial, Edufocal, and Wigton, which recorded triple-digit percentages in terms of their oversubscriptions. Nonetheless, investor interest in attractively priced IPOs of companies with solid growth prospects remains strong as seen from 1GS trading up to \$1.28 from the initial price of \$1.00 per share within the first minute of trading on its first day of being listed on the JSE.

Despite the current bear market, the silver lining is that with valuations at current levels, now may be the ideal time for patient investors with a longer time horizon to enter. Current projections point to interest rates being higher for longer. This makes dividend-paying stocks an attractive option for supplementing income, especially in times of elevated inflation environment and in the event of a recession. Investors are also encouraged to seek out those undervalued stocks of companies with strong corporate strategies to drive profitability and grow shareholder value³ through expansions, new market entries, and cost reduction. Further, diversify across sectors, especially those sectors that will see sustained demand for their goods and services regardless of market performance; and companies with strong competitive positioning.

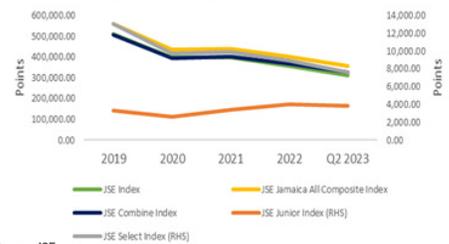
Over the short term, fixed-income instruments are expected to remain attractive due to the expectation that the BOJ is forecasted to keep rates steady for the remainder of the year into the beginning of 2024, and the Fed is likely to implement

one more hike this year. However, with the expectation that interest rates will begin to edge down slightly by the end of next year, the relative attractiveness of stocks will gradually increase as stock valuations become more attractive. This trend, along with an optimistic economic outlook could boost domestic investor confidence in companies' future earnings, thereby drumming up stock market activity.

In the midst of a subdued stock market landscape, underscored by inflationary pressures and heightened interest rates, lies a silver lining for patient investors. The present market conditions, although daunting for some, offer a unique window for those willing to adopt a longer-term perspective. Many stocks, despite their underlying strength and promising outlook, remain undervalued, providing a potentially lucrative entry point. As we look ahead, the period transitioning from late 2024 into 2025 projects a favourable shift in stock valuations. The anticipated alignment of domestic inflation with the BOJ's targets and the subsequent easing of market rates suggest a brighter horizon for stock investments. For those seeking stock market returns, we invite you to have a peek at the "Recommendations" section below in our Market Guide. Here, we have curated a list of stock recommendations that not only showcase robust growth potential but are also seemingly undervalued. Seize this opportunity to position your portfolio optimally for the upturn we anticipate, and let us embark on this journey of strategic investing together.

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Figure 1: Change in Stock Indices



Source: JSE

Figure 2: Annual New Public Listings on JSE



Source: Jamaica Stock Exchange (JSE) & NCBCM Research

³ The value delivered to the equity owners of a corporation, thanks to management's ability to increase sales, earnings, and free cash flow, which leads to an increase in dividends and capital gains for shareholders.

Foreign Exchange Market

The Jamaican dollar depreciated by 0.04% relative to the USD, week over week, with the USD selling rate moving from J\$155.42 on September 22, 2023, to J\$155.48 on September 29, 2023. The depreciation was fueled by increased end-user demand for US currencies from corporates to settle end-of-month obligations. However, the depreciation was curtailed by BOJ's intervention into the FX market last week via B-FXITT tool with a total of US\$30Mn on Friday, September 29, 2023.

Selling	Close: 9/22/23	Close: 9/29/23	Change
J\$/US\$1	\$155.42	\$155.48	+\$0.06
J\$/CDN\$1	\$116.00	\$115.24	-\$0.76
J\$/GBP£1	\$190.43	\$190.47	+\$0.04

Global Bond Prices

Activity in the housing market provided further evidence of expectations that interest rates will be higher for longer. Home prices continue to reflect the effects of tight supply, despite higher mortgage rates as dynamics continue to worsen affordability issues. Mortgage applications dropped 1.3% in the week ending September 22 as Mortgage Bankers Association's (MBA's) 30-year mortgage rate jumped 10 bps to 7.41%, the highest since 2000. Based on the FOMC's most recent projections, fed fund rates which drove the increase in Treasury yields are expected to be higher for longer as the Fed is awaiting more conviction in its fight against inflation. Overall applications declined, as both prospective homebuyers and homeowners continue to feel the impact of these elevated rates.

Further, there is still positive news supporting bond market activity such as favourable economic indicators like job claims, but headline inflation still remains sticky. Firstly, initial jobless claims rose to 204K, but remain the lowest since January, while the four-week moving average fell by 6.3k to 211k. Jobless claims is seen as a representation of the number of layoffs in a given week and is an indicator of unemployment levels. As such, low numbers point to favourable employment levels. Further, the personal consumption expenditures (PCE) price index excluding food and energy increased 0.1% for the month, lower than the expected 0.2%. Including food and energy, headline PCE increased 0.4% on the month and 3.5% from a year ago. Headline inflation has been creeping higher in recent months after hitting 3.2% in June due to rising energy costs. While the Fed might be pleased with the overall direction of the PCE report, declaring victory over the quelling inflation might be premature, as a higher headline inflation can weigh on consumption and impact prices. Following the combination of these

releases, the 10-year yield closed last week at a new high of 4.602% from 4.509%.

Bonds	Current Rating	Indicative Price	Yield	Recommendation
ALSEA 2026 (7.75%)	Ba3/Stable	101.5	7.21%	BUY
BERMUDA (3.72%) 2027	A2/STABLE	96.3	4.94%	BUY
DOMREP (6%) 2033	BB/STABLE	92.25	7.15%	BUY
DOMREP (8.63 %)2027	BB/STABLE	106	6.69%	BUY
DOMREP (5.5%) 2029	BB/STABLE	94.5	6.73%	BUY
DOMREP (6%) 2028	BB/STABLE	99	6.24%	BUY
DOMREP (5.95%) 2027	BB/STABLE	99.75	6.03%	BUY
DOMREP (6.88%) 2026	BB/STABLE	102.75	5.59%	BUY
DOMREP (5.5%) 2025	BB/STABLE	101.25	4.51%	BUY
DOMREP (5.88%) 2024	BB/STABLE	101	3.97%	BUY
DOMREP (6.6%) 2024	BB/STABLE	101.75	1.00%	BUY
TPHLTT (9%) 2029	BB/STABLE	106.25	7.65%	BUY
TRAJAM (5.75%) 2036	BB-/STABLE	85.25	5.26%	BUY
PRMRPA (10.75%) 2028	B+/POSITIVE	106.3	4.94%	BUY
SFC (5.30%) 2028	BB-/POSITIVE	96.25	4.84%	BUY
JAMAN (7.63%) 2025N	B+/POSITIVE	104	5.85%	BUY
PYPL (2.85%) 2029	A-/STABLE	89.25	7.02%	BUY
PRIOBZ (6.13%) 2026	BB-/STABLE	100	6.12%	BUY
NETFLIX (5.86%) 2028	BBB/STABLE	103.5	5.09%	BUY
BACR (5.75%) 2026	BBB+/STABLE	102	5.00%	BUY
PANAMA (3.88%) 2028	BBB-/STABLE	94.75	5.21%	BUY
PANAMA (3.75%) 2025	BBB-/STABLE	99	4.47%	BUY
FRICON (7.7%) 2028	B+/STABLE	86.25	11.50%	BUY
PEMEX (5.35%) 2028	B1/NEGATIVE	83.25	10.21%	SELL
UNICMR (7.88%) 2024	BB-/STABLE	101.25	5.25%	SELL
CSOLNO 6.00% 2027	B+/Stable	13.25	95.01%	SELL

Bonds	Current Rating	Indicative Price	Yield	Recommendation
NFE 2026 (6.50%)	BB-/ STABLE	13.25	95.01%	HOLD
NFE 2025 (6.75%)	BB-/ STABLE	101.75	9.22%	HOLD
TRITOB (5.88%) 2027	BBB-/ STABLE	101.25	5.49%	HOLD
TRITOB (4.50%) 2026	BBB-/ STABLE	98.25	5.17%	HOLD
TRITOB (4.38%) 2024	BBB-/ STABLE	101.75	-1.83%	HOLD
PANAMA (6.70%) 2036	BBB-/ STABLE	102.5	6.40%	HOLD

versus 9.47% in the prior week. The auction was oversubscribed with bids received totaling J\$44.7B relative to the offer size of J\$27B. Consequently, the bid-cover ratio increased to 1.66 relative to a ratio of 1.30 in the prior week. The highest bid rate for full allocation was 9.69%, down from 9.89%, in the prior week. The next auction date for the Bank of Jamaica 30-day CD will be held on the 04th of October. Additionally, the GOJ has also announced a tender offer for T-bills scheduled for October 11th which will settle on the 13th.

GOJ Globals

Ticker	Maturity	Bid	Offer Yield*
JAMAN	2028	101.95	6.13%
	2039	115.65	6.33%
	2045	111.85	6.82%

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

Local Corporate Bonds

Name	Maturity	Coupon	Price	Yield
BDHR	2027	8.15%	100.50	8.00%
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 to increase for the second consecutive week, while USD money market liquidity continued to fluctuate. As of September 28th, a total of J\$37.10Bn was in the market, as represented by the BOJ's aggregated current balances. The aggregated closing current account balance increased by J\$10.42Bn from J\$26.68Bn week over week. Last week, there was one (1) BOJ intervention via B-FXITT in the foreign currency market. A total of J\$3.45Bn was contracted through the sale of US\$30Mn to the market. Despite this contraction, the demand for JMD to meet payroll obligations due at the month's end influenced the week over week increase. As it relates to broker demand, demand for JMD remained relatively moderate, particularly for short-term funds, while demand for USD continued to increase for longer-tenured funds. Rates in the retail market have also stayed consistent on JMD placements.

The BOJ also held a 30-day competitive price auction for which the average yield decreased to 9.22%

Dates to watch this week

■ International ■ Local

OCTOBER 2023				
MON	TUE	WED	THUR	FRI
02	03	04	05	06
		US OPEC Meeting	DCOVE Dividend Payment Date (\$0.40)	US Unemployment Rate (Sep)
				CAD Unemployment Rate (Sep)

Recommendations

Ticker	Closing Price (October 3, 2023)	P/E	Avg. Sector P/E	Current Recommendation
WISYNCO	\$17.49	13.4x	12.7x	BUY
IPCL	\$2.03	9.7x	15.5x	BUY
JBG	\$32.82	7.1x	12.7x	BUY
ECL	\$4.72	17.1x	14.9x	BUY
CAR	\$8.05	10.7x	12.7x	BUY
CPJ	\$10.33	12.8x	12.7x	BUY
KW	\$31.11	16.0x	23.9x	HOLD
FESCO	\$3.69	16.0x	14.9x	BUY
PBS	\$1.95	36.9x	16.4x	HOLD
SOS	\$1.87	14.9x	14.9x	BUY
TJHUSD	\$0.02	21.7x	16.4x	BUY
TJH	\$2.80	14.8x	23.9x	BUY
KEX	\$12.18	20.0x	16.8x	BUY
LASM	\$5.18	9.7x	23.8x	BUY
LASD	\$4.24	10.0x	14.9x	BUY
SALF	\$2.65	16.6x	12.7x	SELL
INDIES	\$2.95	18.4x	15.5x	HOLD
MDS	\$4.20	18.3x	15.5x	HOLD
MEEG	\$14.45	16.6x	28.1x	BUY
SGJ	\$33.37	6.1x	11.6x	BUY

Regional News

Trinidad & Tobago: Inflation Decreasing; But Only Slightly (Sources: Central Statistical Office of Trinidad and Tobago & T&T Newsday)

The Central Statistical Office (CSO) reported a 0.2% decrease in inflation for the month of August for Trinidad and Tobago, according to a release of its retail price index two Fridays ago. The inflation rate, measured as a percentage change in the average all items index, for January to August 2023/2022 amounted to 6.2%, compared to 6.4% for the period January-July 2022/2023. The index for food and non-alcoholic beverages decreased from 147.5 in July to 147.0 in August, reflecting a decrease of 0.3%. Contributing significantly to this decrease was the general downward movement in the prices of tomatoes, white flour, parboiled rice, melongene, ochroes, soya bean oil, chilled or frozen chicken, celery, cheddar cheese and eddoes. However, the full impact of these price decreases was offset by the general increases in the prices of chilled or frozen beef or pork, fresh beef, whole chicken (fresh or frozen), Irish potatoes, plantains, green pigeon peas, steak (fresh) and garlic. Notwithstanding, though this August 2023 figure represents a month-on-month decrease, the country's inflation rate for August was 1.3 percentage points (pp) higher than the 4.9% recording during the period January-August 2022/2021.

Peru Seeks Mining Investment Amid Local 'Chaos' (Reuters)

Peru is looking to put the "chaos" of months-long protests earlier this year behind it to revitalize flagging mining investment in the world's no. 2 copper-producing nation, even as executives demand more stability to boost spending. As a mining conference in the southern Andean region of Arequipa got started this week, Prime Minister Alberto Otrola addressed concerns about political instability and protests that have led to an expected 18% drop in mining investment this year. "We are not going to allow the country to fall into chaos, disorder and insecurity," Otrola told hundreds of gathered mining business leaders, adding the government was also working to streamline environmental permitting regulations. In interviews with Reuters, senior executives said that while things had improved since major nationwide protests at the start of the year, governance remained weak, while unclear rules and red tape for issues such as using contractors and securing environmental

permits remained an obstacle to new investment. Copper output has rebounded this year, but sliding investment in the Andean country, which has had six presidents in the last five years, has put production and the wider economy at risk. Mining makes up 60% of Peru's total exports. "Peru has been growing and that is good, but at the institutional level we have not grown at the same speed, with the level of political maturity," Victor Gobitz, president of Peru's biggest copper mine Antamina said. "We have a fragmented political system, which takes its toll on the entire country."

International News

US GDP Growth Unrevised At 2.1% In The Second Quarter As The Economy Shows Resilience (Reuters)

The U.S. economy maintained a fairly solid pace of growth in the second quarter and activity appears to have accelerated this quarter, but a looming government shutdown and an ongoing strike by auto workers are dimming the outlook for the rest of 2023. Inflation also remains elevated and tight labour market conditions continue to prevail, with the number of Americans filing new claims for unemployment benefits rising slightly last week, the reports showed on Thursday. "The big news is not that nothing has changed, but that the economy remains resilient, inflation remains elevated and the Fed's worst-case scenario, stagflation, has been avoided for now," said Chris Zaccarelli, chief investment officer at Independent Advisor Alliance in Charlotte, North Carolina. "Given how much the Fed has raised rates, it's impressive that the economy is still growing at this pace." Gross domestic product increased at an unrevised 2.1% annualized rate last quarter, the government said in its third estimate of GDP for the April-June period. That was in line with economists' expectations. A downgrade in growth in consumer spending to a lacklustre 0.8% rate from the previously reported 1.7% pace was offset by a sharp upward revision to business investment in factories amid a push by the Biden administration to bring semiconductor manufacturing back to the United States.

UK Recession Risk Deepens but Consumers Stay Unfazed (Reuters)

Britain's Institute for Fiscal Studies (IFS) estimated on Thursday that there was a 90% chance that public borrowing in four years would be higher than the government's budget watchdog has forecast.

The IFS - a non-partisan think tank closely watched by politicians and economists - said borrowing in the 2027/28 tax year was likely to be 40Bn pounds (\$49Bn) higher than the Office for Budget Responsibility (OBR) forecast in March, at 3.1% of gross domestic product rather than 1.7%. Finance Minister Jeremy Hunt will set out new OBR forecasts and budget plans on Nov. 22, when he will seek to reconcile lowering inflation with fellow Conservative lawmakers' desire for tax cuts ahead of a national election expected next year. Borrowing in the 2022/23 financial year totalled 128Bn pounds, or 5.1% of GDP, as Britain's government spent heavily on energy subsidies after Russia's invasion of Ukraine pushed up households' and businesses' heating bills. The IFS said OBR forecasts were unable to adjust for the tendency of British governments to borrow more during unexpected shocks such as the COVID-19 pandemic but to spend the benefits of any unexpected tax windfall. One solution could be to limit new tax and spending measures to a single fiscal event each year, rather than the current budget in the spring and fiscal update in the autumn, she said. Britain's opposition Labour Party - which is leading the Conservatives in opinion polls by a wide margin - said last week it would aim to limit tax and spending measures to a single budget event in November.

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.

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