

▶ Market Guide

THIS ISSUE

Jamaica's Fiscal Discipline Paying Dividends

Foreign Exchange Market Summary

Money Market Update

Stock Recommendations

“The big money is not in the buying or selling, but in the waiting” – Charlie Munger

October 23, 2023

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
Assistant Manager - Research
✉ Greenlandcy@jncb.com

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

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

Sarayis Campbell, FMVA
Research Analyst
✉ Campbells@jncb.com

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

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

Jamaica's Fiscal Discipline Paying Dividends

Bob Marley once said, "It takes a revolution to make a solution", and after decades of high debt and sluggish growth, Jamaica embarked on a remarkable journey of economic transformation. That journey has culminated in its sovereign credit rating transitioning from selective default to highly speculative to the now 'non-investment grade speculative' category. Through prudent fiscal management, debt reduction, and a commitment to sustainable growth, Jamaica has experienced positive economic and fiscal transformation. Against this background, the sovereign recently received two rating upgrades in just over a month from international rating agencies Standard and Poor Global Ratings (S&P) BB-/stable, and Moody's Investor Services (Moody's) B1/positive. With these improved ratings, the government's ability to access the capital market at more favourable terms has also been enhanced. Following the upgrades, the Government of Jamaica (GOJ) announced that it will issue new local currency notes on the international capital markets, which will allow it to refinance USD denominated short to medium term notes due in 2025 and 2028 through a cash tender offer. This will serve to extend its maturity profile and reduce exposure to foreign exchange risk, making debt more manageable and paving the way for further reductions in the debt to GDP ratio. Notably, these successes have come after two debt restructurings, devaluation of the currency, high-interest

rates, and crowding out of private sector. Jamaica now boasts improved fiscal space, crowding in, and set a foundation that allowed it to recover quickly from the COVID-19 pandemic, and the outlook remains favourable. The country has developed strong institutions and governance, which is expected to be sustained to keep the fiscal and debt trajectory on a positive track to further boost its credit resilience. Further, fiscal policy will be supported by economic policies such as flexible exchange rate regime and effective monetary policy, which will also bolster growth, albeit at a slower pace.

Jamaica's most recent rating upgrade was a one-notch increase to B1¹ from Moody's on October 18, 2023. Moody's also revised the rating outlook to positive from stable. The rating upgrade reflects the government's sustained commitment to fiscal consolidation and debt reduction, which the agency expects to be effective in delivering further results. Prior to the pandemic, Jamaica had successfully stabilised the economy, turning a fiscal deficit of 11.0% of GDP in 2009 into a 1.0% surplus in 2019. In 2022, the country reported a small fiscal surplus of 0.3%, and the government is anticipated to report a surplus in the current fiscal year (ending March 31, 2024) of J\$10Bn, or 0.3% of GDP, similar to the surplus in the previous fiscal year². In addition, government debt is now below pre-pandemic levels³ and will likely continue declining over the

1 S&P Equivalent B+
2 S&P

3 Jamaica's net debt to GDP is falling and reached a historical low of 64% in 2022

WEEKLY MOVEMENT IN INDICES



MOVEMENT IN INDICES

JSE Indices	Closing Levels	WoW % Change	YTD % Change
Combined Index	326,221.77	-1.03%	-11.5%
Main Market Index	311,499.58	-1.08%	-12.5%
Select Index	7,797.56	1.95%	-12.4%
Junior Market Index	3,889.52	-0.65%	-2.4%

WINNERS & LOSERS (FOR THE WEEK ENDED OCT. 20, 2023)¹

	\$ Change	% Change
LEARN	+\$1.20	+89.55%
CAC	+\$1.00	+25.51%
JMMBGL7.25	-\$0.59	-22.78%
CARBROKERS	-\$0.61	-19.49%

MARKET OVERVIEW

It was another week of losses on the stock market with all indices except for the JSE Select Index (+1.95%) losing ground. The gains for the Select Index were driven primarily by a (+7.5%) appreciation in the price of Wisynco Group Limited. The increase is likely due to positive investor response to news that its \$6Bn expansion plans would double production capacity to meet strong demand in local and export markets. This puts the group in a good position to increase production to meet strong demand for its products and support growth in net profit for FY2023 and beyond. Meanwhile, the USD index (-7.91%) lost ground primarily due to a (-14.71%) decline in Productive Business Solutions Limited (PBS), while the Cross-Listed Index was down (-5.51%) due to a (-6.84%) decline in Massy Holdings Limited and a (-3.28%) decline in Guardian Holdings Limited (GHL). However, there was no news to explain the falloff in these stock prices. The Main Market Index was down for the third successive week (-1.08%). The Junior Market eroded some of its gains from last week, as it declined (-0.65%) primarily due to a (-5.59%) falloff the prices of Lasco Manufacturing Ltd (LASM), Access Financial Services Limited (-14.65%) and Cargo Handlers Limited (18.8%). Market activity resulted from trading in 119 stocks, of which 46 advanced, 58 declined, and 15 traded firm. Market volume amounted to 68,679,496 units valued at over \$327,591,238.92. The volume leaders were Edufocal Limited with 10,702,273 units (15.42%), Wigton Windfarm Limited with 7,188,010 units (10.36%), and Mallpac Group Limited with 5,788,384 units (8.34%).

Notably, in economic news releases last week, inflation was back in the BOJ's target for September and unemployment remains at a historic low. The All-Jamaica Consumer Price Index (CPI) increased by 0.5%, mainly due to an increase in the 'Education' division, which rose by 11.8% due to higher tuition fees for private schools at the primary level. As of September 2023, the point-to-point inflation rate was 5.9%, 0.9 percentage points lower than the inflation rate for the 12 months to August, due to lower prices for some agricultural products. In other positive news, the unemployment rate in Jamaica remained at historic lows in July. According to STATIN, the unemployment rate in July 2023 was 4.5% (same as in April 2023), 2.1 percentage points lower than in July 2022. Notably, the number of persons in the labour force increased by 19,600 (1.4%) compared to July 2022, suggesting the pace of job growth is strong. The cooling inflation trend and higher employment bode well for both the demand and costs and ultimately earnings of companies. This should be a tailwind for the performance of the stock market in the medium term. Falling inflation also sets the stage for the BOJ to cut rates in 2024 making public equities more attractive relative to lower-yielding bonds. However, consumer prices could see an uptick for October, given the increase in bus fare, and the impact of drought on agricultural food prices, which rose during the month. The BOJ forecasts that inflation will generally remain within its target range of 4.0% to 6.0%, except for some months in 2024. The next policy decision will be on the 21st of November, when it is expected that BOJ will maintain its policy rate at 7.00%, considering its inflation expectations.

next several years⁴. The positive outlook considers that reforms that have been undertaken have improved policy effectiveness and the government's ability to formulate credit-positive fiscal, monetary, and economic policies, which support increased economic and credit resiliency. Importantly, the recent credit upgrades signal that Jamaica's economic prospects have improved, and are now seen as a more attractive place to invest. This should lead to a stronger reputation for the government as well as better access to international markets. Better access to financing should come in the form of lower borrowing costs for the government and businesses, and a wider investor base.

In line with improved access to capital markets, the government is taking advantage of this by issuing new notes and launching a cash tender offer to repurchase a series of existing notes. The Government announced an invitation to buy back two series of notes⁵ due 2025 and 2028. The Invitation is part of a broader program for Jamaica to proactively manage its external public debt, and investors are invited to invest in "New Notes" which will be fully dominated in Jamaican dollars and payable in United States Dollars. This is a marked opportunity for the country, as this is the first time the country is issuing local currency global bonds. Notably, the cash tender offer and the new instruments reflect a maturity extension and the GOJ de-risking the fiscal account since it would result in the country removing the exchange rate risk from a significant portion of the debt. Approximately 60% of general government debt is denominated in foreign currency, and as the exchange rate depreciates, there is a simultaneous increase in the debt level in Jamaica dollar

terms. However, Jamaica will position itself for an improved fiscal position by reducing the foreign currency component of the debt by issuing the New Notes in JMD. The government's interest burden remains high, but it is also decreasing⁶. Overall, these new issuances bode well for the country's interest rate burden since they will reduce hard currency debt which, reduces the interest cost for USD denominated debt in Jamaican dollar terms. Consequently, this along with recurrent primary and fiscal surpluses, should support a reduction in the government's debt burden towards the 60% of GDP by fiscal 2027. This will free up domestic resources to finance targeted social programs and infrastructure spending, without deviating from medium-term fiscal targets, allowing the government to address structural constraints to the country's growth prospects, which bodes well for the country's overall growth prospect. The tender offer and new notes should also reduce refinancing risk on the GOJ's upcoming maturities.

Jamaica's commitment to fiscal consolidation, debt management, and economic growth, have put it on a positive path for the future, as captured by the recent credit upgrades. The upgrades enhance Jamaica's reputation as a reliable borrower, which should help to attract more investment and help to fuel job opportunities and growth. The efforts at keeping debt sustainable are also reflected in the refinancing of USD denominated debt with local currency debt and maturity extension that is underway, if rendered successful. Continued debt reduction should provide the government with the fiscal space to invest more in infrastructure and public services, also boosting growth, hence the current positive outlook from Moody's.

This is a marked opportunity for the country, as this is the first time the country is issuing local currency global bonds. Notably, the cash tender offer and the new instruments reflect a maturity extension and the GOJ de-risking the fiscal account since it would result in the country removing the exchange rate risk from a significant portion of the debt.

⁴ The ratio is projected to continue declining, to just below 60% by the end of 2024 (S&P)

⁵ The 7.625% 2025, 9.250% 2025, and 6.750% 2028 collectively called the "Old Notes" are being repurchased above par at US\$1,020.00, US\$1,052.50, and US\$1,015.00, respectively.

⁶ S&P

Foreign Exchange Market

For the trading week ending October 20, 2023, the Jamaican dollar appreciated by 0.62% relative to the USD (week-over-week) to close the week at a selling rate of J\$155.37. The key reason behind the appreciation was a B-FXITT intervention by the Bank of Jamaica (BOJ) in which it sold US\$79.2Mn. This intervention partially plugged the increased demand for USD seen in recent weeks.

Selling	Close: 10/13/23	Close: 10/20/23	Change
J\$/US\$1	\$156.33	\$155.37	-\$0.96
J\$/CDN\$1	\$114.95	\$116.46	\$1.50
J\$/GBP£1	\$193.36	\$191.81	-\$1.55

Global Bond Prices

Higher yields in the US bond market have kept mortgage rates high and are headwinds to the housing market. US Existing Home Sales sunk to the lowest level since 2010 as affordability worsened even further due to higher mortgage rates. Existing home sales fell 2% last month to a seasonally adjusted annual rate of 3.96 million units. They are counted at the closing of a contract and last month's sales likely reflected contracts signed in August, when the rate on 30-year fixed mortgage vaulted above 7%. This suggests that the high-interest rate environment which is driving higher mortgage rates is hampering activity in the housing market. Mortgage rates have risen in tandem with the yield on the benchmark 10-year Treasury note, wch has spiked to more than a 16-year high.

Bond yields have been rising recently due to unanticipated strength in the labour market, concerns that the Fed will keep rates high to fight inflation, and swelling government deficits. As a positive for the economy, but seemingly supporting the possibility of future rate hikes, US Jobless claims fell to 198K, the lowest level since January which is also a decline of 13K from the previous week and below the Dow Jones estimate for 210K. Claims have been in a general deceleration pattern since the summer, but some worry that could change. The labour market has been a critical factor in the Federal Reserve's deliberations over monetary policy. They worry that a still-tight labour market could put upward pressure on prices even after rates have risen 11 times totalling 5.25% since March 2022. Additionally, the U.S. wraps up the fiscal year ended September with a budget deficit shy of \$1.7 trillion. The budget shortfall adds to the staggering U.S. debt total, which stood at \$33.6 trillion earlier this week.

With the U.S. Fed chair signalling that monetary policy was not yet too restrictive despite cooling inflation, the 10-year yield closed higher than last week at a high of 4.995% from 4.697%, taking the rate within a whisker of 5% for the first time in more than 16 years. However, tightening credit conditions due to rising

yields could make additional rate hikes from the U.S. Fed unnecessary. As a result, the current consensus expectation is that while the Federal Reserve will keep interest rates higher for longer in response to the economy's resilience, it will leave its benchmark policy rate steady at its upcoming November 1 meeting.

Bonds	Current Rating	Indicative Price	Yield	Recommendation
ALSEA 2026 (7.75%)	Ba3/Stable	101.75	7.11%	BUY
BERMUDA (3.72%) 2027	A2/Stable	95.75	5.15%	BUY
Charter Comm. (4.2%) 2028	Ba1/Stable	88.25	7.38%	BUY
DOMREP (6%) 2033	BB/STABLE	89.5	7.59%	BUY
DOMREP (8.63%) 2027	BB/STABLE	105.25	6.90%	BUY
DOMREP (5.5%) 2029	BB/STABLE	92.75	7.16%	BUY
DOMREP (6%) 2028	BB/STABLE	96.5	6.88%	BUY
DOMREP (5.95%) 2027	BB/STABLE	98.5	6.47%	BUY
DOMREP (6.88%) 2026	BB/STABLE	101.75	6.03%	BUY
DOMREP (5.5%) 2025	BB/STABLE	100.75	4.87%	BUY
DOMREP (5.88%) 2024	BB/STABLE	100.75	4.26%	BUY
GSYNC (5.375%) 2028	Ba3/Stable	100.5	4.90%	HOLD
INKIA (5.88%) 2027	Ba2/Stable	98.25	6.37%	HOLD
TPHLLT (9%) 2029	BB/STABLE	106.5	7.59%	BUY
TRAJAM (5.75%) 2036	BB-/Stable	86	7.44%	BUY
PRMRPA (10.75%) 2028	B+/Positive	105.5	9.30%	BUY
SFC (5.30%) 2028	BB-/ POSITIVE	94.5	6.72%	BUY
JAMAN (7.63%) 2025N	BB-/Stable	104	5.13%	BUY
PYPL (2.85%) 2029	A-/Stable	86.75	5.50%	BUY
PRIOBZ (6.13%) 2026	BB-/Stable	97.75	7.08%	BUY
NETFLIX (5.88%) 2028	BBB/Stable	102	5.42%	BUY
BACR (5.75%) 2026	BBB+/ Stable	100.75	5.46%	BUY
PANAMA (3.88%) 2028	BBB-/Stable	93	5.70%	BUY

Bonds	Current Rating	Indicative Price	Yield	Recommendation
PANAMA (3.75%) 2025	BBB-/Stable	99	4.50%	BUY
FRICON (7.7%) 2028	B+/Stable	84.75	12.01%	BUY
UNICMR (7.88%) 2024	BB-/Stable	102	3.12%	SELL
CSOLNO 6.00% 2027	B+/Stable	61.5	23.52%	SELL
PEMEX (5.35%) 2028	B1/Negative	82.75	10.43%	SELL
NFE 2026 (6.50%)	BB-/Stable	92.75	9.38%	HOLD
NFE 2025 (6.75%)	BB-/Stable	97	8.50%	HOLD
TRITOB (5.88%) 2027	BBB-/Stable	101	5.56%	HOLD
TRITOB (4.50%) 2026	BBB-/Stable	97.5	5.48%	HOLD
TRITOB (4.38%) 2024	BBB-/Stable	101.75	-3.47%	HOLD
PANAMA (6.70%) 2036	BBB-/Stable	97.75	6.97%	HOLD

The average yield from the BOJ's 30-day competitive auction inched up to 9.55% versus 9.54% in the prior week. The auction was oversubscribed; bids received totalled J\$40Bn relative to the offer size of J\$35Bn. The highest bid rate for full allocation was 10.145%, which increased from 9.75%, in the prior week. The next auction date for the Bank of Jamaica 30-day CD will be held on October 25th.

Last week's broker demand for JMD remained relatively moderate, particularly for short-term funds, while rates in the retail market stayed consistent on JMD placements. On the USD side, money market liquidity continued to fluctuate week over week. Broker market demand for USD continued to increase for longer-tenured funds.

GOJ Globals

Ticker	Maturity	Bid	Offer Yield*
JAMAN	2028	103.75	5.79%
	2039	112.25	6.71%
	2045	108.00	7.14%

*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	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

As of October 19th, a total of J\$18.7Bn was in the market, as represented by the BOJ's aggregated current balances. This is an increase of J\$5.1Bn from J\$13.6Bn week over week. Last week, there were three (3) BOJ interventions via B-FXITT auctions in the foreign currency market. An operation amount of US\$90M was offered to the market, of which US\$79.2Mn was allocated, which removed a total of J\$79.2Bn in JMD liquidity from the market.

Dates to watch this week

■ International ■ Local

OCTOBER 2023

MON	TUE	WED	THUR	FRI
23	24	25	26	27
	Everything Fresh Limited Annual General Meeting (AGM) Portland JSX Limited Annual General Meeting (AGM)	Transjamaican Highway Limited Dividend Payment Date (J\$0.1866 per share)	U.S. Continuing Jobless Claims U.S. GDP (QoQ) (Q3)	
	G.B. Employment Change 3M/3M (MoM) (Aug) G.B. Unemployment Rate (Aug)			

Recommendations

Ticker	Closing Price (October 23, 2023)	P/E	Avg. Sector P/E	Current Recommendation
WISYNCO	\$20.17	15.40x	13.29x	BUY
IPCL	\$2.00	10.53x	15.30x	BUY
JBG	\$32.59	7.08x	13.29x	BUY
ECL	\$4.21	15.27x	15.42x	BUY
CAR	\$8.08	10.79x	13.29x	BUY
CPJ	\$9.24	11.49x	13.29x	BUY
KW	\$27.93	14.34x	23.35x	HOLD
FESCO	\$3.62	15.67x	14.21x	BUY
PBS	\$1.54	29.02x	15.01x	HOLD
TJHUSD	\$0.02	21.70x	15.01x	BUY
TJH	\$2.53	13.40x	23.35x	BUY
SOS	\$1.64	13.09x	14.21x	HOLD
KEX	\$11.20	18.24x	17.04x	BUY
SALF	\$3.04	19.00x	13.29x	SELL
INDIES	\$3.00	18.75x	15.30x	HOLD
LASM	\$4.92	9.22x	25.60x	BUY
LASD	\$4.15	9.76x	14.21x	BUY
MDS	\$3.82	16.61x	15.30x	HOLD
MEEG	\$14.04	16.14x	27.26x	BUY
SGJ	\$33.52	6.09x	11.46x	BUY
LAB	\$1.76	29.33x	15.42x	HOLD

Regional News

Mexico's Lower House Oks Major Tax Cut For Indebted State-Run Pemex (Reuters)

Mexico's lower house moved to cut a profit sharing rate owed by state-owned oil giant Pemex to 30%, from its current 40%, as part of a sweeping 2024 tax bill passed by lawmakers early Friday morning, amid attempts to control Pemex's soaring debt. Pemex's profit sharing rate (DUC), which is effectively a tax paid to the government, has been gradually lowered during President Andres Manuel Lopez Obrador's administration from a high of 65%.

The bill passed after a marathon overnight session, will be sent on to the Senate for approval. The bill's original draft, sent by the finance ministry, pitched a reduction to 35%, though ruling lawmakers voted for a larger cut. Pemex is the most heavily indebted oil company in the world, facing some \$110.5 billion in debt and hefty amortizations in 2024. Lopez Obrador said last week that he wanted to further reduce Pemex's tax burden. Lopez Obrador has argued that Pemex's heavy tax burden hinders its ability to take on key exploration and production investments, and has fed the firm millions of dollars in cash injections and tax breaks with the promise of "rescuing" the company.

Fitch Anticipates Guyana's Oil-Driven Economic Boom to Continue into 2024

Fitch expects that GDP growth in Guyana will come in at 29.5% in 2023 and 23.5% in 2024, which would come on the back of the 20.1% and 62.4% growth rates recorded in 2021 and 2022 respectively. Recent oil discoveries (ExxonMobil made its first major discovery in 2015) are now feeding into sharp increases in crude production - a trend which will continue over the coming quarters. These forecasts are consistent with the economy of Guyana being 337.4% larger than its pre-Covid-19 level by the end of 2024.

The surge in oil production will manifest itself in a continued surge in net exports. Export volumes are expected to increase by 40.5% in 2023 and a further 39.0% in the following year, resulting in net exports contributing 16.7 and 17.5 percentage points (pp) to headline growth in 2023 and 2024 respectively. The most recent GDP data (for 2022) show that the share of mining output (which almost entirely consists of oil) to GDP has risen from 15.0% in 2019 to 61.6% in 2022 on the back of a series of successful offshore explorations. In the coming quarters, this trend will

continue with other large projects set to be undertaken by the ExxonMobil-led consortium. With this in mind crude production is expected to increase by 41.0% and 50.0% in 2023 and 2024 respectively.

The jump in hydrocarbon output will feed through to stronger domestic demand. While real private consumption growth is expected to slow a little from the estimated 8.5% increase recorded in 2022, it will still come in at a fairly rapid 7.5% in 2023 and 6.0% in 2024 - contributing 3.2pp and 2.1pp respectively to real GDP growth in these years. The robust performance of consumer spending will be driven partly by an improvement in labour market conditions as the expanding oil projects continue to increase demand for domestic workers.

In the near term, households will also benefit from contained inflation. The deluge of capital inflows related to the oil production boom means that there is little-to-no downward pressure on the Guyanese dollar. Against this backdrop, the latest inflation reading (for August 2023) came in at just 0.3% y-o-y - a drop from a recent peak of 7.2% in December 2022 and the lowest rate in almost eight years. Fitch's projection is for inflation to average just 0.3% y-o-y over 2023 as a whole, and then 2.6% y-o-y in the following year.

International News

Bank of Canada Likely Done Raising Rates, To Cut By Mid-2024 Say Economists (Reuters)

The Bank of Canada is probably done raising interest rates and will hold them at 5.00% for at least six months, according to a Reuters poll of economists that found a majority expecting a reduction in the second quarter of 2024 as the economy slows. Up until recent days, the prospect of another quarter-point rate rise on Oct. 25 remained a serious risk, but a report this week showing inflation fell more than expected in September has mostly solidified views that no more is needed for now.

The economy is showing signs of strain from 475 basis points of rate hikes since early 2022, likely giving policymakers enough reason to wait and see how much more past rate decisions will crimp demand and an already cooling housing market. In the meantime, Canada's job market remains tight, with explosive payroll growth in September, which has left BoC Governor Tiff Macklem confident that while the economy is slowing, it is not headed for a serious recession.

The risk of a revival in inflation, last measured at 3.8%, has led most to forecast now is not the time for the central bank to strongly signal they are done raising rates. Twenty-nine of 32 economists polled Oct. 13-20 expect no change to the central bank's 5.00% overnight rate, with the remaining three expecting a 25 basis point hike. "The Bank of Canada's rate decision next week is going to be a hawkish hold," said Randall Bartlett, senior director of Canadian economics at Desjardins. "It will recognize the economy has cooled more quickly than it anticipated back in July and inflation in September, particularly core inflation, demonstrated a pace of slowing that provides us with some room for cautious optimism."

While most are confident the central bank is done hiking, a significant minority of economists who answered an additional question, 8 of 18, said the risk of the BoC raising rates at least once more is "high". With inflation still running at nearly double the BoC's 2.0% target and not expected to fall that low until at least 2025, the central bank does not yet have leeway for policy easing. Still, a two-thirds majority, 20 of 30, see the BoC cutting its overnight rate at least once before End-June 2024. That is a slightly higher proportion than in a poll published this week on rate expectations for the U.S. Federal Reserve, which is overseeing a stronger economy.

Venezuela Starts To Pursue Former Oil Clients After US Lifts Sanctions (Reuters)

Venezuelan state-run oil company PDVSA has begun contacting customers with crude supply contracts amid the temporary lifting of U.S. sanctions, two people familiar with the matter said on Thursday, moving to resume cash sales to global refiners. The U.S. on Wednesday lifted most restrictions on Venezuela for six months for producing, selling and exporting oil to its chosen markets. The broad relaxation of sanctions imposed since 2019 following an election that Washington considered a sham will allow some Venezuelan crude to flow to customers previously barred from transactions.

The license, issued by the U.S. Treasury's Office of Foreign Assets Control (OFAC), aims to encourage a fair presidential election in Venezuela next year. However, it is not expected to significantly boost Venezuela's deteriorated oil production or immediately lead to stronger exports. PDVSA's trading division has lost many of its skilled staff with oil traders departing due to low salaries. That loss of experience means new negotiations could take time, or produce few new export deals in the six months of the license, according to the sources, who spoke on condition of anonymity.

Oil output in Venezuela, which boasts of the largest crude reserves worldwide, now averages 780,000 barrels per day (bpd) and the license changes could help increase PDVSA's cash flow by at least reducing the pool of middlemen selling its oil at a discount to customers, mostly in Asia. "The OFAC has issued an unprecedented general license that suspends the broad siege imposed to PDVSA," the company's CEO and Oil Minister Pedro Tellechea said on social media.

Venezuela can now receive direct payments for goods or services under the license issued by OFAC, which oversees American sanctions. The payment restrictions had reduced sale proceeds to PDVSA and its joint ventures, which were authorized only to deliver cargoes to repay debt, while cash moving to Venezuela was barred. Not all U.S. sanctions on PDVSA were lifted. PDVSA's earnings have been heavily curtailed by sanctions in the past four years. As its traditional customers were banned from doing business with it, the company had to sell its oil to an ever-changing group of middlemen willing to trade cargo for large price discounts. Since November, when Washington authorized Chevron to expand its joint ventures with PDVSA and export Venezuelan crude to the U.S., that agreement and a few others provided PDVSA's only access to Western markets. Those agreements, however, are limited to debt repayment deals, so little cash is reaching PDVSA's coffers, constraining its ability to expand oil production and exports.

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.