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"Investing should be more like watching paint dry or watching grass grow. If you want excitement, take \$800 and go to Las Vegas." ~ Paul Samuelson

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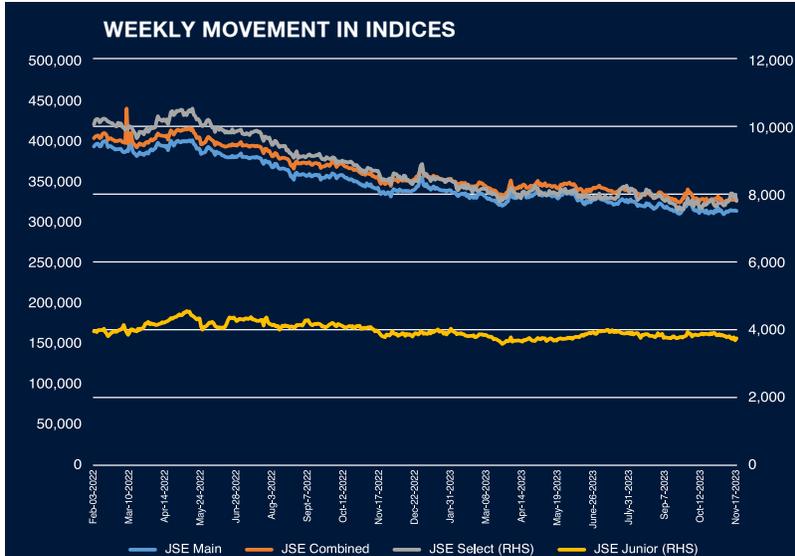
Is Jamaica's Record-Low Unemployment Rate Signalling a Looming Labour Crisis?

In the post-pandemic recovery as employment has risen and the unemployment rate has fallen to historic lows, Jamaica's labour market has shifted from one in which there are not enough jobs to one in which, there is a shortage of skilled labour. The most recent labour report from the Statistical Institute of Jamaica (STATIN) indicated that Jamaica's unemployment rate maintained its downward trend, reaching a historic low of 4.5% in July 2023 down from 6.6% in the same period of the previous year. This decline aligns with the global trend of low unemployment levels as economies recover from the significant impacts of the COVID-19 pandemic on labour markets. While the local and global job markets exhibit resilience, contributing to economic growth through increased private consumption, challenges emerge, particularly in the form of a tightening job market and a skilled labour shortage. Outside of the negative implications for inflation, this could have prompted further upward wage adjustments, there could be a looming labour crisis in this tight market, as there is a skillset mismatch between the jobs available and the workforce. Several leaders of private sector companies have expressed their concerns, particularly regarding the lack of skilled labourers in the country, ranging from plumbers and electricians in the construction industry to engineers and quality control managers in the manufacturing industry. These leaders have been advocating for foreign workers

to be hired to address this shortage. Given that the labour market is expected to tighten further with the generation of additional jobs, especially within the tourism and business process outsourcing (BPO) sectors, the scarcity of highly skilled workers in the job market, if not adequately addressed, has the potential to negatively impact both the companies and ultimately the country's growth trajectory.

Data from STATIN's July 2023 employment report indicated that the total labour force grew to 1.37Mn people representing 65.6% of Jamaicans aged 14 or older seeking employment. However, despite an increase in the number of low-skilled workers, there remains a significant gap for skilled workers across various sectors. The skills gap is mainly a result of deficiencies in education and training systems and brain drain. Jamaica has witnessed significant emigration of highly trained professionals, and a study from the United Nations ECLAC¹ estimated over a million Jamaicans living overseas in 2020, predominantly in the United States (70.8% or 792K), Canada (13.3% or 148K) and United Kingdom (11.5% or 128K) representing a 90.1% (or 530K)² increase over the last 30 years moving from the 588K reported in 1990. The country is currently ranked as the second-highest nation out of 177 countries for human

flight and brain drain globally,



MOVEMENT IN INDICES

JSE Indices	Closing Levels	WoW % Change	YTD % Change
Combined Index	328,147.03	-0.2%	-11.0%
Main Market Index	314,658.33	-0.1%	-11.6%
Select Index	7,844.73	-0.3%	-11.8%
Junior Market Index	3,773.17	-1.5%	-5.3%

WINNERS & LOSERS FOR THE WEEK ENDED NOV. 17, 2023

	\$ Change	% Change
SRFUSD	+\$0.02	+33.5%
CBNY	+\$0.29	+23.2%
ICREATE	-\$0.02	-17.4%
FIRSTROCKJMD	-\$1.43	-16.7%

MARKET OVERVIEW

Some of the gains in the local stock market were reversed last week, with only 2 of the 9 indices advancing, relative to a majority (6/9) improving in the previous week. The advancers were the JSE USD Equities Index, which advanced by 2.33% and the JSE All Composite Index which advanced negligibly by 0.04%. The primary reason for the improvement in the USD Equities index was a 3.3% increase in the share price of Productive Business Solution Ltd (PBS). This may be due to the company's improved year-to-date performance. The recently released financials showed that year-to-date profit attributable to shareholders increased by 27.4%, which was largely driven by sustained record growth in its ATM and Self-Checkout business throughout its territories, despite its falloff in Q3 due to higher selling, general and administrative expenses. An 8.0% increase in the share price of Kingston Wharves (KW) led to an increase in the JSE All Composite Index. This may be attributable to its strong nine months' performance, which was driven by strong revenue growth in its Logistics Services Division as the company has positioned itself to lead on the receipt, warehousing and delivery of logistics cargo for both domestic and regional markets. Additionally, investors could be anticipating an overall stronger year end, as its Q4 is predicted to be bolstered by increased shipping activities during the Yuletide season. Notably, Grace Kennedy Group's (GK) share rallied 2.2%, which also impacted the JSE All Composite Index over the week, and was driven by a 15.3% increase in its nine months' profit attributable to shareholders driven by strong performance in its Food and Financial Services segments.

The main decliners for the week were, the Junior Market Index (-1.45%) and the JSE Financial Index (0.70%). A 5.7% decline in the share price of Lasco Manufacturing, the most heavily weighted stock in the Junior Market index, was the main driver, followed by a 10.7% decline in the share price of Express Catering Limited. However, there was no news to support these price movements. The decline in the financial index was driven primarily by a 2.6% falloff in the share price of Scotia Group and a 0.77% decrease in Massy's share price. These movements are likely a result of general volatility in the market. Notably, NCBFG announced a dividend payment of \$0.50 per share, which will be payable on December 18, 2023, for stockholders on record as at December 04, 2023. This announcement is likely to positively influence the price in the coming weeks, as investors seek to purchase more shares.

Overall, market activity resulted from trading in 125 stocks, of which 44 advanced, 74 declined, and 7 traded firm. Market volume amounted to 231,564,405 units valued at over \$784,132,570.13. The volume leaders were TransJamaican Highway Ltd 8% with 100,103,587 Units (42.35%), JFP Limited with 31,446,356 Units (13.30%) and Tropical Battery Company Limited with 28,635,320 Units (12.12%).

1 UNECLAC- United Nations Economic Commission for Latin America and the Caribbean. The contemporary migration scenario in the Caribbean with emphasis on the contributions of international migration in Jamaica.
 2 IOM- International Organization for Migration. Trends in Caribbean Migration and Mobility
 3 The Global Economy- Human Flight and Brain Drain (Country Rankings)

scoring 9.5 out of 10³. This has significantly impacted sectors such as tourism, construction, manufacturing, healthcare and education, as highly qualified workers seek more competitive wages overseas. The tourism sector, in particular, is booming and there are plans to construct 5000 new rooms⁴ further increasing the demand for highly skilled hospitality workers including chefs and bartenders. Similarly, with construction increasing over the past two years, primarily driven by government spending on infrastructure as well as hotel and housing developments, the sector has been facing shortages of trained masons, plumbers and electricians, which are crucial roles for the success of ongoing developments across the country. The fact is that there are workers available to fill low-skilled jobs and this has driven the consistent decline in the unemployment rate. However, the further up the value chain one goes, there are fewer persons with high-income skills seeking jobs in Jamaica. Furthermore, manufacturing companies, like Wisynco, have been struggling to find engineers and skilled machine operators for expansion plans. Faced with these challenges, companies are advocating for the recruitment of foreign workers to address the immediate skills gap. Notably, they emphasized that importing workers is not an attempt to replace Jamaican workers, but a strategic move to leverage skilled foreign workers to eventually train and upskill the local labour force. It is believed that bringing in foreign workers could not only enhance productivity but also bring a higher level of expertise and efficiency to the workforce. Despite the potentially higher initial wage, the anticipated increase in output

makes it a potentially cost-effective solution for these private sector companies.

In response to the private sector's call to import talent, Prime Minister Andrew Holness acknowledged that the shortage of skilled labour is a national emergency, emphasizing the government's commitment to addressing the issue through its training programmes. While he agrees that importing workers may be necessary in the future, the goal is to first begin with training the local labour force and exhausting the local talent pool over the next decade by targeting those outside the labour force and curbing criminal activities among unattached youths. To boost employment and equip Jamaicans for current and future development, the government has increased skills training efforts, including the removal of tuition fees for courses up to Level Four at the HEART/NSTA⁵ to promote accessibility. Additionally, as part of these efforts, HEART/NSTA projects graduating 11,753 trainees from all 26 HEART institutions by the end of the year, which should have an immediate impact on the demand for skilled labour across various sectors including tourism, construction, manufacturing, agriculture, and information technology. Similarly, to enhance accessibility to tertiary education, the Student Loan Bureau has extended the moratorium period between graduation and the beginning of the loan repayment period and also increased the number of grants and the amount provided for each grant. The government also has plans to invest \$8.5Bn to revamp the infrastructure of teachers' colleges and intends to improve its recruitment and training processes. Addressing the

rising migration rate of healthcare

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workers, the government has collaborated with PAHO/WHO⁶ under a Technical Assistance Agreement to strengthen nursing and midwifery in various aspects, such as education, practice, job opportunities and leadership. Although these initiatives if successfully executed may result in an influx of trained workers, labour challenges are likely to persist in the short term as these newly trained individuals may also still opt to pursue more lucrative opportunities overseas, if the compensation is not attractive. As such, to limit brain drain some areas need to be addressed, including offering more competitive salaries and benefits, and improving overall working conditions, while also addressing concerns about crime and quality of life.

Nonetheless, the question remains, is Jamaica's record-low unemployment rate signalling a looming labour crisis? We do not anticipate such an outcome at this time. However, we believe that if the skills gap issue is not effectively addressed through education

4. Ministry of Tourism- The 5000 rooms will include the first 500 of the committed 2,000-room Unico (HardRock) hotel; Princess Grand Jamaica set to open in February with 1000 rooms, Riu adding over 700 rooms and 228 rooms by Marriott in Falmouth.

5 HEART/NSTA- The Human Employment and Resource Training /National Service Training Agency Trust

6 PAHO/WHO- Pan American Health Organization/ World Health Organization

7. STATIN

8. World Bank- GDP per capita growth (annual %) - Jamaica

and training programmes as well as measures to curb brain drain there is a risk of it escalating into a crisis. It is anticipated that the unemployment rate will continue to trend downward as the economy continues to recover, leading to increased expansion and the creation of additional job opportunities. While the reduction in the unemployment rate is a positive development, it is important to tackle the challenges with the tightening job market and skills gap through strategic initiatives from both the government and private sector. The number of employed individuals has risen substantially by 17.3%⁷ since July 2020, however, this is in contrast to a marginal increase in economic growth, averaging around 4.3%⁸ over the last 3 years. This highlights the concerns about productivity within the current workforce. Studies have shown that there is a positive correlation between highly skilled labour and increased productivity, which contributes to improved competitiveness, business profitability, and ultimately a higher national GDP, and per capita income for citizens to live at a higher standard. As such, it is crucial to address the current skills gap within the country by strengthening the education and training system focusing on reskilling and upskilling the labour force and aligning educational programmes with evolving industry needs.

Foreign Exchange Market

For the week ending November 17, 2023, the Jamaican dollar appreciated by 0.30% relative to the USD, week over week, with the USD selling rate moving from J\$156.90 on November 10, 2023, to J\$156.43 on November 17, 2023. The appreciation was owed to greater USD inflows and end-user demand being satisfied.

Selling	Close: 10/11/23	Close: 17/11/23	Change
J\$/US\$1	\$156.90	\$156.43	-\$0.47
J\$/CDN\$1	\$113.73	\$116.53	-\$2.79
J\$/GBP£1	\$191.93	\$194.95	+\$3.02

Global Bond Prices

The 10-year Treasury yield closed lower last week at 4.654% from 4.678% in the prior week as investors continue to react positively to a robust economy, labour market, and inflation that is trending down, despite still being well above the central bank's 2.0% core inflation target. Consumer price index (CPI) inflation data for October came in below expectations with headline CPI rising by 3.2% y-o-y, down from a 3.7% increase in September. Core CPI (excludes food and energy prices) moderated as well rising by 4% y-o-y vs the prior month's reading of 4.1%. The 4% rise in core CPI was the lowest reading since September 2021. The

move lower in headline CPI was supported by lower energy prices with the index for energy declining by 2.5% month-over-month in October. From a monetary policy standpoint, declining core inflation should support a Fed that stays on the sidelines and is likely done hiking interest rates. Current expectations are that policymakers are likely at or near the end of their campaign to raise interest rates, amidst these recent reports showing cooling inflation and economic activity.

Bonds	Current Rating	Indicative Price	Yield	Recommendation
ALSEA (7.75%) 2026	Ba3/Stable	103.80	6.36%	BUY
BACR (5.75%) 2026	BBB+/Stable	102.00	4.96%	BUY
BERMUDA (3.72%) 2027	A2/Stable	96.25	5.01%	BUY
CHTR (4.2%) 2028	Ba1/Stable	94.50	5.65%	BUY
DOMREP (5.5%) 2025	BB/STABLE	101.00	4.62%	BUY
DOMREP (5.5%) 2029	BB/STABLE	95.95	6.42%	BUY
DOMREP (5.88%) 2024	BB/STABLE	101.00	3.34%	BUY
DOMREP (5.95%) 2027	BB/STABLE	100.00	5.95%	BUY
DOMREP (6%) 2033	BB/STABLE	94.25	6.85%	BUY
DOMREP (6.88%) 2026	BB/STABLE	103.00	5.39%	BUY
DOMREP (8.63%) 2027	BB/STABLE	105.25	6.87%	BUY
DOMREP (6%) 2028	BB/STABLE	97.75	6.57%	BUY
FRICON (7.7%) 2028	B+/Stable	85.00	11.98%	BUY
TPHLTT (9%) 2029	BB/STABLE	106.5	7.58%	BUY
JAMAN (7.63%) 2025N	BB-/Stable	104.25	4.87%	BUY
NETFLIX (5.88%) 2028	BBB/Stable	103.50	5.07%	BUY
PYPL (2.85%) 2029	A-/Stable	88.50	5.15%	BUY
PRIOBZ (6.13%) 2026	BB-/Stable	100.00	6.12%	BUY
PRMRPA (10.75%) 2028	B+/Positive	106.80	8.95%	BUY

Bonds	Current Rating	Indicative Price	Yield	Recommendation
SFC (5.30%) 2028	BBB/Stable	96.10	6.31%	BUY
TRAJAM (5.75%) 2036	BB-/Stable	86.00	7.45%	BUY
BARBAD (6.50%) 2029	B/Positive	96.25	7.30%	HOLD
OPY (5.50%) 2025	Ba3/Stable	98.25	6.51%	HOLD
DOMREP (6.60%) 2024	BB/STABLE	102.25	-5.62%	HOLD
GSYNC (5.375%) 2028	Ba3/Stable	101.00	4.36%	HOLD
INKIA (5.88%) 2027	Ba2/Stable	98.25	6.38%	HOLD
NFE (6.75%) 2025	BB-/Stable	93.50	10.78%	HOLD
NFE 2026 (6.50%)	BB-/Stable	93.50	9.13%	HOLD
PANAMA (3.75%) 2025	BBB/Negative	98.75	4.74%	HOLD
PANAMA (3.88%) 2028	BBB/Negative	92.25	5.93%	HOLD
PANAMA (6.70%) 2036	BBB/Negative	96.00	7.20%	HOLD
TRITOB (5.88%) 2027	BBB-/Stable	100.25	5.79%	HOLD
TRITOB (4.50%) 2026	BBB-/Stable	102.00	3.71%	HOLD
TRITOB (4.38%) 2024	BBB-/Stable	101.00	-2.38%	HOLD
UNICMR (7.88%) 2024	BB-/Stable	102.25	1.50%	HOLD
CSOLNO (6.00%) 2027	B+/Stable	63.00	22.95%	SELL
PEMEX (5.35%) 2028	B1/Negative	85.50	9.93%	SELL

GOJ Globals

Ticker	Maturity	Bid	Offer Yield*
JAMAN	2028	103.30	5.68%
	2039	113.45	6.54%
	2045	110.20	6.96%

Local Corporate Bonds

Name	Maturity	Coupon	Price	Yield
BDHR	2027	8.15%	100.50	8.00%
SJPC	2032	8.85%	104.00	8.22%

Name	Maturity	Coupon	Price	Yield
PBS	2025	6.50%	101.00	6.13%

Money Market

Strong demand for BOJ's CD remains, while the central bank gets ready to issue medium-term note, as GOJ cancels its previously planned 2037 note auction. The average yield from the 30-day competitive price auction saw a marginal increase to 9.59% from 9.53% in the prior week. The auction was oversubscribed, as bids received totaled J\$46.7Bn relative to the J\$37.5Bn that was offered. The highest bid rate for full allocation was 9.82%, which decreased from 9.84%, in the prior week. The next auction date for the Bank of Jamaica 30-day CD will be November 22, 2023. The BOJ also announced their two-year and six-month US-indexed note auction with a coupon offering of 6.00%. The offer amount to the market is USD\$190Mn. However, it should be noted that the settlement currency is payable in JMD using the 10-day moving average buying exchange rate applicable on the auction date of 27th of November, 2023. This rate will be confirmed by the BOJ on the 24th of November and bids will be allocated based on the BOJ auction reserve yield. Conversely, the GOJ announced the cancellation of the auction for the FR 10.00% Benchmark Investments Note due 2037, which was scheduled for issue on November 24, 2023.

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

Dates to watch this week

■ International ■ Local

November 2023				
MON	TUE	WED	THUR	FRI
20	21	22	23	24
	CAD CPI (MoM) (Oct)		Dividend payment Kingston Properties (KPREIT)- USD\$0.000797	Icreate Annual General Meeting
	BOJ Policy Rate Decision			

Recommendations

Ticker	Closing Price (Nov 20, 2023)	P/E	Avg. Sector P/E	Current Recommendation
WISYNCO	\$19.62	14.3x	12.7x	BUY
IPCL	\$1.94	11.2x	14.8x	BUY
ASBH	\$28.98	13.0x	12.7x	BUY
JBG	\$33.91	7.4x	12.7x	BUY
ECL	\$4.00	14.5x	2.5x	BUY
CAR	\$8.17	9.5x	12.7x	BUY
CPJ	\$9.25	12.5x	12.7x	BUY
FESCO	\$3.53	14.5x	14.3x	BUY
TJHUSD	\$0.02	21.7x	5.8x	BUY
TJH	\$2.58	32.0x	17.4x	BUY
KEX	\$11.96	19.5x	13.8x	BUY
LASM	\$4.47	7.8x	23.2x	BUY
LASD	\$4.27	10.0x	14.3x	BUY
MEEG	\$14.15	53.5x	19.5x	BUY
SGJ	\$33.97	6.2x	10.4x	BUY
INDIES	\$2.87	18.3x	14.8x	BUY
CCC	\$50.18	7.7x	17.4x	BUY
SVL	\$26.14	22.3x	11.8x	BUY
KW	\$27.45	13.2x	17.4x	HOLD
PBS	\$1.55	32.6x	5.8x	HOLD
SOS	\$1.70	13.6x	14.3x	HOLD
MDS	\$3.37	220.0x	0.0x	HOLD
SALF	\$2.55	15.9x	12.7x	SELL

Regional News

IDB Concerned by Slow Digitalisation (Trinidad and Tobago Guardian)

The Inter-American Development Bank is concerned about the slow implementation of digitalisation in Latin America and the Caribbean. In the report “Latin American and Caribbean Microeconomic Report entitled Digitalising Public Services: Opportunities for Latin America and the Caribbean” the IDB noted that the region was still significantly behind the rest of the world in terms of adopting digital practices. The report stated: “Compared to developed countries, governments in Latin America and the Caribbean are significantly lagging in offering digital applications such as learning platforms, apps to promote healthy behaviours, apps for online business registration and tax e-filing. In many cases, governments offer some type of digital public service related to an important development challenge, but the specific service provided is not expected to generate large value to society.” The report singled out the limited digital accessibility available for public services, which has created great issues for citizens in the region, particularly after the COVID-19 pandemic. In addition, the lack of infrastructure and general know-how had also left the region particularly susceptible to cyberattacks. Consequently, governments are expected to develop and deploy solutions that work well with basic smartphones with sporadic Internet access (such as WhatsApp) so that low-income populations with access to these devices can take advantage of the new digital public services offered; target promotion efforts to spur adoption of digital public services among low-income people to ensure that this population reaps the benefits of the digital public services provided; and channel savings arising from deploying low-cost digital services to those that have access (e.g., urban populations) to provide effective non-digital services to those that currently do not have access (e.g. rural populations).” The report also suggested that improved digital services in the education system could help decrease the dropout rate in schools, while also aiding in improving efficiencies in the health system.

Barbados in Line For Funds From IMF (IMF)

An International Monetary Fund (IMF) delegation ended a one-week virtual mission to Barbados that could result in the island receiving US\$75 million in future assistance from the Washington-based financial institution. According to a statement issued by the head of the delegation, Pablo Morra, a staff-

level agreement has been reached with Bridgetown following the completion of the second review of the Extended Fund Facility (EFF) and the Resilience and Sustainability Facility (RSF). Notably, all quantitative programme targets and structural benchmarks set for the second review under the EFF have been met. In addition, all reform measures set for the second review under the RSF have been implemented.

The staff-level agreement is subject to approval by the IMF executive board, which is expected to consider the review in December. ‘The completion of the review will make available SDR 14.175 million (about US\$19 million) under the EFF arrangement and SDR 42.525 million (about US\$56 million) under the RSF arrangement,’ the IMF official said. In December last year, the IMF Executive Board approved a 36-month EFF of US\$113 million and an RSF of US\$189 million. The publication noted that Barbados continues to advance the implementation of its comprehensive economic reform programme and that the authorities are implementing their updated Economic Recovery and Transformation plan (BERT 2022) and an ambitious climate policy agenda. Furthermore, Barbados has weathered the COVID-19 pandemic and other recent shocks well and has preserved macroeconomic stability. The IMF also noted that the Barbadian authorities met the primary fiscal target set for the first half of FY2023/24 and are on track to raise the primary surplus to about 3.5% of GDP by the end of the fiscal year. The public debt ratio has fallen to pre-pandemic levels and is projected to continue declining while sovereign credit ratings gradually improve.

International News

Eurozone Q3 GDP Shrinks, But Employment Rises (Reuters)

The eurozone economy contracted marginally quarter-on-quarter in the third quarter, a new estimate confirmed on Tuesday underlining expectations of a technical recession if the fourth quarter turns out equally weak, but employment still rose. The European Union’s statistics office Eurostat confirmed its estimate from Oct 31 that gross domestic product in the 20 countries sharing the euro fell 0.1% quarter-on-quarter in the July-September period for a 0.1% year-on-year rise. European Central Bank vice president Luis de Guindos said last week the eurozone economy was likely to contract slightly or at best stagnate in the fourth quarter after business activity data for October showed a further weakening of demand in the dominant services industry. Eurostat data showed

0.1% quarterly economic growth in France, 0.3% in Spain and 0.5% in Belgium, but that failed to offset a 0.1% quarterly slump in Germany, no growth in Italy, and contractions in Austria, Portugal, Ireland, Estonia and Lithuania. The growth slump is caused by strong headwinds from high inflation and record high interest rates as well as the slowly tightening fiscal policy. As inflation dropped sharply in October, the ECB left interest rates unchanged at its meeting on Oct. 26, ending an unprecedented streak of 10 consecutive rate hikes. However, contrary to the usual trend when the economy weakens, employment in the eurozone rose 0.3% quarter-on-quarter in the same period, for a 1.4% year-on-year increase.

Emerging Markets To Gain From Fed Easing, Better Growth Prospects: Amundi's Berardi (Reuters)

Amundi, Europe's largest fund manager, predicts that emerging markets (EM) will outperform developed markets in 2024 due to better economic prospects and an expected rate-cutting cycle by the U.S. Federal Reserve. The Federal Reserve is likely to pivot to rate cuts in mid-2024, a move seen as positive for EM by Alessia Berardi, head of emerging macro and strategy at the Amundi Investment Institute. Despite a slowdown in China, Asia remains resilient, offering interesting opportunities with a less restrictive policy mix compared to other regions. In terms of fund allocation, Berardi suggests a cautious approach, gradually adding equities with a preference for quality and growth initially, focusing on India and Japan. Later on, consideration can be given to more beta or valuation styles. In fixed income, she prefers hard-currency bonds, with plans to add duration later. Berardi sees emerging currencies, particularly those with a "high carry trade" like the Indian rupee and Indonesian rupiah, as attractive bets in 2024.

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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