

▶ Market Guide

THIS ISSUE

**Earning Season: Investment Opportunities
Abound Among Local Food Manufacturing and
Distribution Companies**

Foreign Exchange Market Summary

Money Market Update

Stock Recommendations

“Stop thinking about what your money can buy. Start thinking about what your money can earn.” – J.L. Collins

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Earning Season: Investment Opportunities Abound Among Local Food Manufacturing and Distribution Companies

Esteemed investor Warren Buffet once advised investors to “Be prepared to invest in a “down market” and to “get out” in a soaring market”. Over the last three years, adverse macroeconomic factors like COVID-19, geopolitical conflicts, inflation, and high interest rates have all contributed to a fall-off in the prices of local stocks and the ensuing bear market in Jamaica¹. However, with the economy on the recovery path for the last two years, local inflation looking to settle more comfortably in the Bank of Jamaica’s (BOJ) target range, and the US Fed expected to pause rate hikes, the prospects of a lower interest rate environment and a rebound in the stock market have come into frame. With that in mind, now might be an appropriate time for investors to rebalance their portfolios by taking advantage of underpriced stocks that display healthy earnings, growth prospects, sound management, and operate in industries with positive medium-term outlooks. Luckily for us, the third quarter earnings season (E3 2023) is in full swing and presents an opportunity for us to assess and invest in companies and industries that have favourable growth prospects. One such industry is the manufacturing and distribution sector², specifically Food Manufacturing and Distribution (M&D) companies that trade at attractive Price-to-earnings ratios (P/E) and exhibit strong financial performance driven by strong demand as Jamaica’s economy continues to grow and employment levels improve.

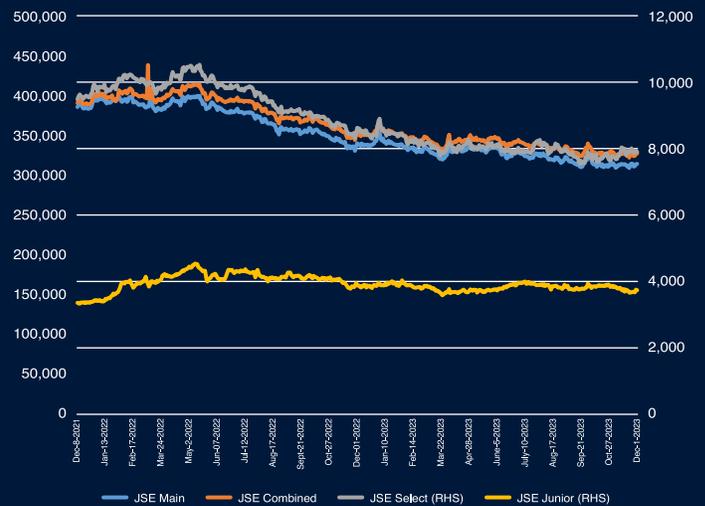
For the quarter, results were strong for most companies across both the main and junior Markets. Except for one company, the performance of Main Market food manufacturing and distribution companies on the Jamaica

Stock Exchange was strong from a revenue and net profit standpoint. In terms of year-over-year (YoY) quarterly net profit³ (attributable to shareholders), Wisynco saw a 19.8% increase to \$1.55Bn⁴. Over the same period, Seprod reported a 14.9% increase in quarterly net profit to \$0.89Bn off the back of a 17.4% increase in revenues. Meanwhile, Jamaica Broilers Group (JBG) also enjoyed a strong 15.0% growth in net profit to \$1.24Bn, which far outpaced the marginal 1.8% increase in revenue. However, CPJ reported an 18.8% slowdown in net profit to \$1.27Bn despite a marginal 3.3% increase in revenue. On the junior market, results were mixed with a slowdown in net profit for 3 of the 7 companies, despite seeing varying levels of revenue growth over the period. Lasco Distributors (LASD) reported a 31.7% increase in net profit to \$345.20Mn and a 9.5% increase in revenues. Lasco Manufacturing (LASM) recorded a 31.2% increase in net profit to \$615.00Mn and an 11.3% increase in revenue to \$3.19Bn. Jamaican Teas (JAMT) reported a 112.1% increase in net profit to \$45.62Mn, despite a marginal 0.4% decrease in revenue over the period to \$652.84Mn. Caribbean Flavours and Fragrances (CFF) reported a 115.0% increase in net profit and a 16.9% increase in revenue to \$236.19Mn.

However, the overall results for the junior market Food M&D companies were dampened by a 49.7% decline in KREMI’s net profit to \$3.61Mn, a 13.8% decline for SPURTREE as well as Consolidated Bakeries (PURITY) booking a loss of \$12.43Mn, slightly higher than the losses it experienced in Q3 2022.

The strong performance from the main market Food M&D

WEEKLY MOVEMENT IN INDICES



MOVEMENT IN INDICES

JSE Indices	Closing Levels	WoW % Change	YTD % Change
Combined Index	328,951.43	0.1%	-10.8%
Main Market Index	315,669.00	-0.1%	-11.3%
Select Index	7,941.30	-1.3%	-10.7%
Junior Market Index	3,757.04	1.9%	-5.8%

WINNERS & LOSERS FOR THE WEEK ENDED DEC. 1, 2023

	\$ Change	% Change
OFF	+\$0.24	+20.5%
ROC	+\$0.40	+18.4%
CABROKERS	-\$0.48	-17.1%
JMMBGL7.00NC	-\$0.36	-15.0%

MARKET OVERVIEW

Trading activity for the week ended December 1, 2023, resulted in five indices advancing and four declining, which was consistent with the previous week’s trading session. The JSE Select Index (-1.3%) and the JSE All Jamaican Composite Index (-0.3%) registered the largest declines week-over-week. The decline in the JSE Select Index was largely driven by a 5.2% reduction in the price of Wisynco shares, the second heaviest-weighted stock within the index. While there were no recent developments to support this decline, Wisynco hosted its Annual General Meeting (AGM) on Wednesday, November 29, 2023, where it discussed the status of its expansion plans as it seeks to increase its production capacity by 50% by June 2024. The Junior Market Index and the JSE Manufacturing & Distribution Index outpaced the other indices, gaining 1.9% and 1.1%, respectively. The largest market capitalization stock for the Junior Market index – LASM was up last week advancing by 2.6% helping to drive gains in the Junior Market Index.

Of note, on November 30, the Statistical Institute of Jamaica released its Producer Price Index (PPI) results for October 2023, revealing an increase in prices for the Mining and Quarrying industry and a decrease for the Manufacturing industry during that period. Output prices for producers in the Mining and Quarrying industry increased by 0.1% for October 2023, while prices in the Manufacturing industry declined by 0.3%. The main contributor to the 0.3% decrease in the Manufacturing industry was a 2.5% fall in the index for the major group ‘Refined Petroleum Products’, as higher fuel prices on the international market begin to stabilize amid concerns over weaker economic growth in 2024. Despite recent decisions by OPEC+ to limit oil supply, the market remains unconvinced that the latest round of OPEC+ production cuts will be able to lift prices out of their recent slump as investors anticipated deeper cuts and there are doubts surrounding compliance due to the voluntary nature of the reductions. As such, should OPEC+ members opt against production cuts, it could counteract the impact on prices, which may potentially lead to a decrease in the producer price index in the upcoming months. Lower fuel prices may result in more disposable income for consumers and also impact investor sentiments thus influencing the short-term stock price movements.

Overall Market activity resulted from trading in 119 stocks of which 61 advanced, 51 declined and 7 traded firm. Market volume amounted to 133,188,136 units valued at over \$653,227,010.83. Indies Pharma Jamaica Limited Ordinary Shares with 49,792,509 units, First Rock Real Estate Investments Limited (USD) with 19,350,000 units and Wigton Windfarm Limited Ordinary Shares with 18,992,184 units were the volume leaders.

1 The JSE Combined index down 35.3% from its 5-year peak in January 2020.
 2 The JSE M&D index is down 15.9% from its 5-year peak in May 6, 2022.
 3 Unless otherwise stated, net profit refers to net profit attributable to shareholders.
 4 The largest in the company’s history.

companies was due to increased demand in local and external markets and improved operational efficiency, which combined to increase earnings. For Wisynco, there continues to be strong demand for its products across all its channels both locally and overseas, while Seprod reported a 45.0% increase in exports as it continued to grow its business following its June 2022 acquisition of A.S. Bryden. JBG also enjoyed strong demand for its poultry products locally, while its US operation reported increased demand for poultry and fertile hatching eggs. On the junior market, LASD saw increased sales volumes despite being impacted by supply disruptions in some segments, while SPURTREE reported robust sales demand, which depleted its stockpile of raw materials. CFF also reported increased orders in its fragrance segment and an expanded product range for bakeries to satisfy its widening local and international customer base. The country's positive GDP growth drove higher levels of employment to meet industry demands, and recent wage increases drove the buoyance in demand seen by these companies. Preliminary data from the Planning Institute of Jamaica (PIOJ) suggest that the Jamaican Economy grew by 1.9% YoY for the September 2023 quarter, with the manufacturing industry growing at a faster rate of 3.2%. The demand was also supported by continued growth from the tourism industry as macroeconomic growth in the main source markets⁵ drove stopover and cruise arrivals and a 6.0% increase in visitor expenditures.

There was a general improvement in operational efficiency among the main market Food M&D companies. Wisynco stabilized its Selling, General & Administrative (SG&A) expenses⁶ as inflation is subsiding and Seprod saved on third-party warehousing costs following the activation of its new logistic centre in Q2 2023. JBG's 30.0% improvement in operating

income offset a 50.0% increase in net interest expenses. In contrast, cost containment proved a bit more elusive for the smaller companies on the junior market, with the profitability for 3 of the 7 companies impacted by higher costs. PURITY faced higher SG&A expenses, KREMI's higher interest expense from bank borrowings to fund capital expenditure plans weighed on net profit, while SPURTREE faced higher market costs for raw materials, SG&A expenses, and higher interest expenses.

So far, investors have had a mixed reaction to the earnings announcements with the stock prices of 6 of the 11 Food M&D companies moving in the same direction as its net income⁷. On the main market, both Wisynco (-3.1%) and Seprod (-4.9%) stock prices are down despite strong earnings growth, while the share price movements for JBG (+6.3%) and CPJ (-3.9%) correlated with net profit movement. Similarly, investors had a mixed reaction to junior market companies. PURITY (-9.9%) and KREMI (-28.6%) saw their stock prices decline in line with their weaker earnings, while JAMT's (+8.6%) share price appreciation reflected the significant increase in net profit. However, LASD (-4.9%) and LASM (-7.7%) saw a decline in their share prices despite recording significant improvements in revenue and net profit YoY, while SPURTREE (+8.0%) was up despite lower net profit.

At current prices⁸, CPJ (12.3x) and JBG (7.4x) trade at P/E ratios below the main market M&A industry average of 12.8x, while LASD (9.4x), LASM (7.5x), JAMT (23.9x) and CFF (14.1x) trade at P/E ratios below the junior market M&A industry average of 26.6x. These lower P/E ratios imply cheaper relative valuations, especially for CPJ, JBG, LASM & LASD, which have reported YoY improvement in revenue and profitability. Moreover, Wisynco's higher P/E of 14.5x could be justified by its growth prospects as it executes its plan to increase

capacity by up to 70% in response to strong demand for its products⁹. However, the attractiveness of these P/E ratios would depend heavily on the medium-term outlook for the industry. In the short to medium term, the M&D industry is expected to continue to have a positive contribution to the Jamaican economy, which augurs

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Albeit at a slower rate when compared to 2022, the manufacturing industry is expected to benefit from robust private consumption for the rest of 2023 and into 2024 driven by strong employment and growth in key sectors. In terms of cost containment, junior market companies seeking to bridge the gap with their larger counterparts will need to invest to modernize their property plant and equipment (PPE), increase energy independence, and negotiate better contracts to help secure raw material supplies. WISYNCO¹⁰ has benefitted from increased capacity and energy independence. Likewise, KREMI¹¹ could benefit from upgrading its production facility to meet market demand and boost production at lower costs, thus improving efficiency and profitability. While the outlook for the M&D sector is leaning to the upside, Food M&D companies might see slower demand if there is lower-

5 Main source markets include USA, Canada and Europe.

6 SG&A expenses margins trended upwards due to variable costs associated with increased business activity and inflation.

7 The share price movements are measured from each company's earnings release date to December 1, 2023.

8 Prices as at December 1, 2023

9 Wisynco Financials FY23 annual report.

10 Wisynco's recent investments in its satellite warehouse, enterprise resource planning system and liquefied natural gas power plant are some of the company's initiative to improve efficiency.

11 KREMI noted in its financials that it is focused on upgrading its property plant and equipment (PPE) with the objective of improving efficiency and profitability. The PPE has grown by 29% over the corresponding period last year increasing by \$382 million.

than-expected growth in the US and other source markets. This would pose a real risk to local growth and demand from the sector, given that the tourism sector is a key driver of demand and export revenues. Moreover, a slowdown in other key sectors, such as mining, agriculture, and finance, could weaken local employment and demand, while adverse weather conditions could impact the supply of agricultural produce and heighten input costs. Despite the noted risk, our view is that there are attractive investment opportunities on the market in several sectors that are poised for a rebound once interest rates decline and the market becomes more favourable for investors. In our stock list on page 6, we have curated a list of stock recommendations in multiple sectors that have the right fundamentals to lead growth in the near to medium term.

Figure 1: Main Market Food M&D Earnings Contribution
Source: Company Financials and NCBCM Research



readings. Markets are widely expecting interest rates to remain unchanged, but investors will be closely watching for hints from the Fed about what could be on the horizon for rates and if there is a chance they could start cutting rates in 2024.

Additionally, data released last week Wednesday showed that the US economy grew at its fastest pace in almost two years during the past three months as businesses built more warehouses and accumulated machinery equipment, but momentum appears to have since waned as higher borrowing costs curb hiring and spending. In the third quarter of 2023, annualized growth was revised to 5.2% up from the previously reported 4.9%, well above the expectation of 4.5%. This marks the third quarter of this year of growth coming above trend. Government spending and private investment also moved higher, adding to the resilient consumption and growth in the third quarter.

While the US labour market remains strong amid high-interest rates, it is beginning to show signs of cooling as weekly initial jobless claims figures, published Thursday, rose higher than expected to 218K up from the prior reading of 211,000. Continuing jobless claims on the other hand increased by 86,000 to 1,927,000 for the week ending 11/18, above expectations and was the highest reading since November 2021. The 10-year Treasury yield closed lower last week at 4.349% down from 4.472% in the prior week as investors continue to react positively to softening economic data and comments from a Federal Reserve official signalling that a Federal Reserve rate cut was on the horizon.

Foreign Exchange Market

The Jamaican dollar appreciated week over week by 0.11%, moving from a selling rate of \$156.12 on November 24, 2023, to \$155.95 on December 1, 2023. This slight appreciation was due greater inflows of US dollars, compared to reduced demand.

Selling	Close: 24/11/23	Close: 01/12/23	Change
J\$/US\$1	\$ 156.12	\$ 155.95	-\$0.17
J\$/CDN\$1	\$ 114.17	\$ 116.48	+\$2.31
J\$/GBP£1	\$ 196.70	\$ 197.02	+\$0.31

Global Bond Prices

Last week, the global bond market experienced fluctuations as investors continued to react to news that could influence the Federal Reserve's decision at its upcoming monetary policy meeting scheduled for December 13. Bond prices were influenced by several factors throughout the week, including the release of the personal consumption expenditures (PCE) price index, which is the Federal Reserve's preferred gauge for measuring inflation. The PCE index came in broadly in line with expectations last month, bolstering expectations for unchanged interest rates at the next monetary policy meeting on December 13. Core PCE inflation ticked up 0.2% in October and 3.5% year-over-year in line with forecasts, and slightly below last month's respective 0.3% and 3.7%

Bonds	Current Rating	Indicative Price	Yield	Recommendation
ALSEA (7.75%) 2026	Ba3/Stable	103.90	6.31%	BUY
BACR (5.75%) 2026	BBB+/Stable	102.50	4.76%	BUY
BERMUDA (3.72%) 2027	A2/Stable	97.25	4.67%	BUY
CHTR (4.20%) 2028	Ba1/Stable	95.75	5.32%	BUY
DOMREP (5.50%) 2025	BB/STABLE	101.25	4.36%	BUY
DOMREP (5.50%) 2029	BB/STABLE	98.13	5.92%	BUY
DOMREP (5.88%) 2024	BB/STABLE	100.75	3.76%	BUY
DOMREP (5.95%) 2027	BB/STABLE	99.75	6.04%	BUY
DOMREP (6.00%) 2033	BB/STABLE	95.93	6.59%	BUY
DOMREP (6.88%) 2026	BB/STABLE	103.88	4.94%	BUY
DOMREP (8.63%) 2027	BB/STABLE	105.75	6.69%	BUY
DOMREP (6.00%) 2028	BB/STABLE	100.75	5.81%	BUY
FRICON (7.70%) 2028	B+/Stable	85.25	11.94%	BUY

Bonds	Current Rating	Indicative Price	Yield	Recommendation
TPHLTT (9.00%) 2029	BB/STABLE	107.25	7.41%	BUY
JAMAN (7.63%) 2025N	BB-/Stable	104.75	4.49%	BUY
NETFLIX (5.88%) 2028	BBB/Stable	105.00	4.73%	BUY
OPY (5.50%) 2025	Ba3/Stable	98.50	6.38%	BUY
PYPL (2.85%) 2029	A-/Stable	90.00	4.84%	BUY
PRIOBZ (6.13%) 2026	BB-/Stable	100.50	5.91%	BUY
PRMRPA (10.75%) 2028	B+/Positive	107.13	8.85%	BUY
SFC (5.30%) 2028	BB-/ POSITIVE	97.38	5.98%	BUY
TRAJAM (5.75%) 2036	BB-/Stable	86.00	7.45%	BUY
BARBAD (6.50%) 2029	B/Positive	96.50	7.25%	HOLD
COSTAR (4.375%) 2025	B+/Stable	100.25	4.19%	HOLD
COSTAR (5.625%) 2043	B+/Stable	87.50	6.79%	HOLD
DOMREP (6.60%) 2024	BB/STABLE	102.25	-8.87%	HOLD
GSYNC (5.375%) 2028	Ba3/Stable	102.00	3.29%	HOLD
INKIA (5.88%) 2027	Ba2/Stable	98.00	6.46%	HOLD
NFE (6.75%) 2025	BB-/Stable	98.75	7.51%	HOLD
NFE (6.50%) 2026	BB-/Stable	96.00	8.11%	HOLD
PANAMA (3.75%) 2025	BBB-/Stable	99.00	4.56%	HOLD
PANAMA (3.88%) 2028	BBB-/Stable	93.25	5.67%	HOLD
PANAMA (6.70%) 2036	BBB-/Stable	98.50	6.88%	HOLD
TIGO (6.625%) 2026	Ba1/Stable	98.25	7.31%	HOLD
TRITOB (4.38%) 2024	BBB-/Stable	102.00	-13.52%	HOLD
TRITOB (4.50%) 2026	BBB-/Stable	102.00	3.70%	HOLD
TRITOB (5.88%) 2027	BBB-/Stable	101.25	5.47%	HOLD
UNICMR (7.88%) 2024	BB-/Stable	102.25	0.74%	HOLD

Bonds	Current Rating	Indicative Price	Yield	Recommendation
CSOLNO (6.00%) 2027	B+/Stable	64.00	22.53%	SELL
PEMEX (5.35%) 2028	B1/Negative	84.75	9.89%	SELL

GOJ Globals

Ticker	Maturity	Bid	Offer Yield*
JAMAN	2028	105.85	4.85%
	2039	121.85	5.74%
	2045	119.00	6.26%

*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

In the money market, Jamaican dollar liquidity remained moderate, while the USD money market's liquidity continued to fluctuate week-over-week. Broker market demand for USD continues to increase for longer-tenured funds while broker demand for JMD remained relatively moderate, particularly for short-term funds. There were no BOJ interventions in the foreign exchange market via B-FXITT last week.

On the interest rate side, the average yield from the BOJ's 30-day competitive price auction saw an increase to 9.82% versus 9.64% in the prior week. The auction was oversubscribed; bids received totalled J\$39.9Bn relative to the offer size of J\$33Bn. The highest bid rate for full allocation was 13.53%, which increased from 10.43%, in the prior week. The next auction date for the Bank of Jamaica 30-day CD will be held on December 6th. The BOJ's 2-year and 6-months indexed note auction was undersubscribed; bids received totalled US\$113.1Mn with only US\$113.09Mn being allocated, relative to the offer size of US\$190Bn. The average yield from the auction was 6.08%, with the highest bid rate for full allocation being 7.51%. Additionally, the GOJ has announced an auction to offer a total of J\$1.5Bn in T-bills to the market. The two (2) tenors up for auction each have an offer size of \$700 million for the 91-day and 182-day tenors, respectively. The subscription date for the auction is December 6th and will settle on the 8th.

Dates to watch this week

■ International ■ Local

DECEMBER 2023				
MON	TUE	WED	THUR	FRI
4	5	6	7	8
		BoC Interest Rate Decision	FOSRICH Dividend Payment Date (\$0.021)	UK Inflation Expectations
		SVL Dividend Payment Date (\$0.0936)		USA Unemployment Rate (Nov)
		MJE Annual General Meeting		
		CBNY Annual General Meeting		

Recommendations

Ticker	Closing Price (December 1, 2023)	P/E	Avg. Sector P/E	Current Recommendation
ASBH	\$30.10	13.5x	12.8x	BUY
CAR	\$8.11	9.5x	12.8x	BUY
CCC	\$57.23	8.8x	17.6x	BUY
CPJ	\$9.05	12.3x	12.8x	BUY
ECL	\$4.00	14.5x	19.8x	BUY
FESCO	\$3.47	14.3x	14.5x	BUY
INDIES	\$3.01	19.2x	15.4x	BUY
IPCL	\$1.99	11.5x	15.4x	BUY
JBG	\$33.96	7.4x	12.8x	BUY
KEX	\$12.95	21.1x	19.8x	BUY
LASD	\$4.10	9.4x	14.5x	BUY
LASM	\$4.32	7.5x	26.6x	BUY
MEEG	\$13.50	46.0x	19.8x	BUY
SGJ	\$34.10	6.2x	12.0x	BUY
SVL	\$27.00	23.1x	13.1x	BUY
TJH	\$2.59	32.1x	17.6x	BUY
TJHUSD	\$0.02	34.2x	16.8x	BUY
WISYNCO	\$19.89	14.5x	12.8x	HOLD
KW	\$26.82	12.9x	17.6x	HOLD
MDS	\$2.92	190.7x	15.4x	HOLD
PBS	\$1.55	32.6x	16.8x	HOLD
SOS	\$1.65	13.2x	14.5x	HOLD
SALF	\$2.85	16.8x	12.8x	SELL

Regional News

Brazil To Join OPEC+ But Won't Cap Oil Output, Petrobras CEO Says (Reuters)

Brazil is expected to join the OPEC+ group of oil-producing countries in January but will not take part in the group's coordinated output caps, the chief executive of state-run oil firm Petrobras told Reuters. The group's surprising announcement on Thursday that the South American nation would join it raised immediate questions on whether Brazil would take part in the production caps, as OPEC+ nations agreed to voluntary cuts approaching 2 million barrels per day (bpd) for early next year.

"There is no quota," said Jean Paul Prates, Petrobras' CEO, in an interview. "We would never be part of an organization that imposes (production) quotas to Brazil, Petrobras is a publicly-traded company and we cannot have quotas." Brazil's energy minister said on Thursday the country was eager to join OPEC+ after a full technical analysis. Brazil's President, Luiz Inacio Lula da Silva's office confirmed receiving the invite, but said he had not formally responded. Brazil is the largest oil producer in South America, at 4.6 million barrels per day of oil and gas, of which 3.7 million bpd are crude.

Prates, who in October received OPEC Secretary General Haitham Al Ghais in Brazil, noted OPEC+ was a group that includes countries with no voting rights and to which production caps are not imposed, which would be the case of Brazil. He welcomed Brazil's move to join the group. "Brazil would start participating in the meetings as some kind of observer member, which I think is really nice," Prates said, adding the move would be key to OPEC's and Brazil's energy transition efforts.

World Court Orders Venezuela to Refrain From Action In Border Dispute With Guyana (Reuters)

Judges at the World Court on Friday ordered Venezuela to refrain from taking any action that would alter the situation on the ground in a potentially oil-rich territory that is the subject of a border dispute with Guyana, which controls the area. The court did not expressly forbid Venezuela to hold a planned Dec. 3 referendum over its rights to the region around the Esequibo river, the subject of the long-running border dispute, as Guyana has requested. However, judges at the International Court of Justice - as the World Court is formally known - made clear that any concrete action to alter the status quo should be stopped. "The court observes that the situation that currently prevails in the territory in dispute is that Guyana administers and exercises control

over that area," presiding judge Joan Donoghue said. "Venezuela must refrain from taking any action which would modify that situation," she added. Venezuela did not immediately react to the court's ruling. Venezuelans will vote on Sunday in a five-question referendum backed by the government of President Nicolas Maduro, which analysts say is likely to be approved. The referendum asks Venezuelans, among other things, if they agree to a plan to incorporate the region and create a state called Guayana Esequiba.

Guyana's President Irfaan Ali hailed the court's ruling in a statement. "As the court has made clear, Venezuela is prohibited from annexing or trespassing upon Guyanese territory or taking any other actions - regardless of the outcome of its referendum on December 3 - that would alter the status quo in which Guyana administers and controls the Esequibo region," the statement said. The ICJ said in April it had jurisdiction, though a final ruling could be years away. Venezuela has maintained the issue should be resolved by the two countries. The 160,000 square km (61,776 square mile) territory around the Esequibo river is mostly impenetrable jungle. Venezuela reactivated its claim over the area in recent years after the discovery of offshore oil and gas. Last month Guyana announced another significant discovery in offshore areas.

International News

US Economy Grows 5.2% In Third Quarter; Higher Interest Rates Eroding Momentum (Reuters)

The U.S. economy experienced a faster-than-expected growth rate of 5.2% annualised in the third quarter, marking the fastest expansion since 2021. This growth was driven by increased business investments in warehouses and equipment. Despite the robust growth, there are signs of a slowdown. Higher borrowing costs have dampened hiring and spending, leading to a cooling of economic momentum in the final quarter of the year. Consumer spending growth was revised down to 3.6%, and there are concerns about the impact of shortages caused by the United Auto Workers strike.

After-tax profits, as measured by S&P 500 profits, increased significantly, and personal income, driven by higher wages, contributed to the economy's growth. However, Gross Domestic Income (GDI) contracted on a year-on-year basis, raising some concerns, though it's noted that the economy has historically avoided recession with similar GDI declines. The report indicates that the Federal Reserve may be in a position to halt its rate-hiking campaign, as slowing demand and lower

inflation create a favourable environment. Financial markets are even anticipating a potential rate cut in mid-2024, following a series of interest rate increases by the Fed since March 2022.

Canada's Economy Unexpectedly Shrinks 1.1% In Q3 But Skirts Recession (Reuters)

The Canadian economy unexpectedly contracted at an annualized rate of 1.1% in the third quarter, data showed on Thursday, avoiding a recession but showing growth stumbling ahead of next week's interest-rate decision. The third-quarter reading came in below the 0.2% gross domestic product (GDP) increase forecast by analysts in a Reuters poll, and below the Bank of Canada's (BoC) 0.8% projected gain. The economy avoided slipping into a technical recession - defined as two consecutive quarter-on-quarter contractions - because second-quarter GDP data was revised up to a 1.4% gain from an initial report of a 0.2% decline, Statistics Canada said.

The BoC has remained on the sidelines since July after lifting its benchmark interest rate to a 22-year high of 5% to tame inflation. Money markets expect a rate cut as soon as March and a hold at the next announcement on Wednesday. Governor Tiff Macklem last week said interest rates might be at their peak because excess demand has vanished and weak growth is expected to persist for many months.

Real GDP most likely edged up 0.2% in October after a 0.1% gain in September, Statscan said. A decrease in exports and slower inventory accumulation weighed on the economy in the third quarter and were partially offset by increases in government spending and housing investment, Statscan said, noting that new housing construction increased for the first time since early 2022. In an advance estimate for October, Statscan said increases in mining, quarrying, and oil and gas extraction, retail trade, and construction sectors were partially offset by decreases in the wholesale trade sector.

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