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“Successful investing is about managing risk,
not avoiding it.” – Benjamin Graham

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Annya Walker, CFA
VP Strategy Research
Innovation & Projects
📞 (876) 935-2716
✉️ Walkerad@ncb.com

Sarayis Campbell, FMVA
Research Analyst
✉️ Campbellsr@ncb.com

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

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

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

Sean-Isaac Watson, CMSA
Research Analyst
✉️ Watsonsn@ncb.com

What to Expect in 2024 - Global and Local Macroeconomic Themes

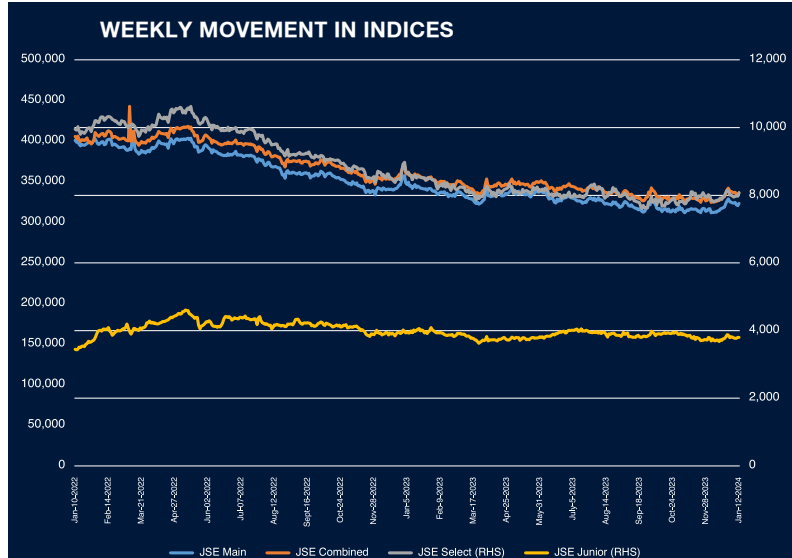
Last year, in a bid to avoid a recession, governments, corporates, and consumers walked a proverbial tightrope trying to balance interest rate and inflation expectations, while navigating geopolitical tensions. Amid these challenges, the local and global economies were surprisingly resilient, buoyed by moderating inflation and labour market strength. However, as we settle into 2024, subdued growth, easing interest rates, geopolitical conflicts, and elections are major themes expected to shape the economic and financial market narrative. Global growth will be moderated by the lag effects of the aggressive monetary policy tightening, a diminished Chinese growth forecast, and geopolitical disruptions. On the other hand, while rates are projected to remain higher for longer, increasing disinflation is expected to induce a turnaround in the interest rate cycle bolstered by consideration of rate cuts by mid-2024. Still, uncertainty remains high as geopolitical conflicts and elections feature heavily this year, with the potential to tip the scales. We anticipate that heightened geopolitical risks, stemming from conflicts in the Middle East, the ongoing Russia-Ukraine war, and the US-China trade tensions could temper growth and pose risks to commodity prices and inflation. Finally, elections in major economies also have the potential to impact geopolitics and trade relations which could have a substantial impact on the world economy.

Slowing Global Growth

Globally, real GDP growth rates are expected to slow further in 2024. Challenged by the lag effects of high interest rates, persistent inflation, sluggish trade, and diminished Chinese growth forecast, the global

economy will slow for a third consecutive year in 2024 to 2.4%, down from 2.6% growth in 2023, according to the World Bank. However, the economic downtrend won't be equal across all countries, as the U.S. is expected to be more resilient relative to many other major economies, and tourism dependent economies that were slower to emerge from the pandemic will grow at a relatively faster pace. The US and China are expected to record real GDP growth of 0.9% and 4.5% in 2024, respectively, below the 2.4% and 5.2% real GDP growth estimated for 2023¹. In the US, the strong labour market, easing inflation, and the expectations for the Fed to cut interest rates for the first time since 2020 are providing much-needed relief for businesses and consumers. Furthermore, despite challenges emanating from its property market crisis, high youth unemployment, and aging population, which is squeezing its capacity for growth, China will continue to contribute to global economic growth in 2024, albeit less than in prior years. The Eurozone (-0.5%)² and the UK (-0.5%)², which are already stagnating are expected to see economic activity dip in 2024. Recession risks in these economies remain the most acute due to potentially more persistent inflation.

Locally, growth is also expected to slow to 1.5% in 2024, against the background of lower growth in our major trading partners and still high domestic interest rates. Interest rates will remain elevated relative to historical levels and will continue to limit households' ability to borrow and finance consumption, which will restrict credit growth. Similarly, investment levels will be moderate, given the high cost of funding and capital in general. Against this background, both private consumption and exports



MOVEMENT IN INDICES

JSE Indices	Closing Levels	WoW % Change	YTD % Change
Combined Index	335,199.54	-0.16%	-1.17%
Main Market Index	322,238.80	-0.14%	-1.06%
Select Index	8,052.51	1.37%	-0.83%
Junior Market Index	3,766.95	-0.35%	-2.11%

WINNERS & LOSERS FOR THE WEEK ENDED JAN. 5, 2024

	\$ Change	% Change
ASBH	+\$7.28	+ 21.98%
WIG	+\$0.15	+12.36%
AMG	-\$0.84	- 25.26%
JETCON	-\$0.26	-23.51%

MARKET OVERVIEW

Local stocks ended the last trading week with a bearish bias as more stocks saw their prices decline in trading. Against this background, seven of the nine indices declined, with the two advancers being the JSE Manufacturing and Distribution (M&D) Index (+1.60%) and the JSE Select Index (+1.37%). A.S. Bryden & Sons Holdings Limited (+21.98%) was the primary driver of the gains in the JSE M&D index, with Seprod Limited (+4.68%) also aiding in its appreciation. Gains in the Select index were mainly driven by Wigton Windfarm Limited (+20.55%), and TransJamaican Highway Limited (+4.49%). The large increase in Wigton's share price likely originated from the recent news of a joint venture between the entity and Innovative Energy Company (formerly IEC SPEI Limited). This joint venture consists of a contract to design, engineer, and install roof-mounted and floating solar photovoltaic systems at Sangster International Airport in St. James. This is seen as an investment positive for potential and existing shareholders as it is a major step in Wigton's efforts to diversify its business model. On the other hand, the JSE Cross-Listed index (-4.35%) and JSE Financial index (-2.10%) saw the biggest weekly declines. The Cross-Listed index's decline was mainly driven by Guardian Holdings Limited (-9.77%) and Massy Holdings Limited (-1.64%), while the Financial index's main drivers were Sagicor Group Limited (-6.07%) and Guardian Holdings Limited.

Last week's overall market activity resulted from trading in 124 stocks, of which 50 advanced, 56 declined, and 18 traded firm. Market volume last week amounted to 90,749,872 units valued at over \$669,700,376.78. Wigton Windfarm Limited Ordinary Shares with 29,791,947 units (32.72%), Edufocal Limited with 6,043,536 units (6.64%), and TransJamaican Highway Limited with 4,966,558 units (5.46%) were the volume leaders.

¹ World Bank
² Morgan Stanley

will decelerate as tourism growth moderates and remittances continue to decline in response to uncertainties in source markets. However, low unemployment levels and high wages, coming off 2023 increases, should mitigate some of the impact on consumption.

Disinflation to facilitate a turn in the interest rate trajectory

In 2024, we anticipate that increasing disinflation will drive a more accommodative monetary policy stance for most central banks, including the Bank of Jamaica. Global inflation is expected to fall in the near term, averaging 3.9%³ down from its estimated 5.7% average in 2023⁴. This projection is premised on continued improvement in commodity prices⁵ and the normalising of supply chains. Additionally, well-anchored medium-term inflation expectations, softening demand, and moderating energy prices, despite global production cuts, will also help contain headline inflation. Consumer spending is also poised to begin to slow more meaningfully in 2024 but remains positive and will support an easing of inflation pressures. Against that background, the inflation in the US is projected to fall to 2.4% in 2024 closer to the Fed target, from 3.2% in 2023. Similarly, consumer prices are also expected to moderate in the Eurozone and the UK. In the Eurozone, inflation is expected to average around 2.7% in 2024 from 5.4% in 2023 due to fading cost pressures and the impact of the ECB's monetary policy⁶. UK's inflation is expected to average 2.1% in 2024⁷ which is down from 3.1% in November 2023 forecast due to similar factors.

Given the inflation outlook, more central banks around the world are expected to pursue accommodative monetary policy, with 2024 widely expected to mark a turn in the interest rate cycle. Given the inflation outlook, an increasing number of the world's major central banks are expected to reverse restrictive monetary

policy enacted in 2022 to shore up their economies from the effects of several geopolitical tensions. Against that background, the pressure for policymakers to cut borrowing costs has strengthened. The Bank of England, the Federal Reserve, and the Bank of Canada are widely expected to slash interest rates for the first time since 2020 by mid-2024. Notably, there is a 65% probability of a Fed cut in March. In contrast, the European Central Bank does not see rate cuts in the near term. The ECB sees inflation oscillating in the 2.5% to 3.0% range for much of this year and policymakers have said any talk of a rate cut before crucial first-quarter wage data, due in May, would be premature.

On the local front, our base case scenario is for the Bank of Jamaica to begin cutting rates early in the September quarter, as inflation moderates and monetary policy actions filter through prices. It is expected that headline inflation will average 4.4% for 2024, and end the year comfortably within the target range (Fitch). As a result, cuts to the policy rate are expected to materialise in the second half of 2024. This will help lower borrowing costs, alleviating pressure on Jamaican consumers. However, we anticipate that rates will remain elevated, which is well above historic lows of 2.0%. Under this scenario, we anticipate a 1.0-1.5 percentage points reduction in the BOJ policy rate for 2024. With interest rates expected to decline in the second half of 2024, we expect that both primary and secondary stock market activities will pick up pace late in the year, and the external environment.

Geopolitical Conflicts Will Feature Heavily this year

After being battered by a series of geopolitical conflicts in 2023, it is expected that existing tensions could escalate, even as new conflicts emerge and have the potential to disrupt the world economy once more. As the Russia-Ukraine conflict

This year looks set to be a turning point for interest rates, with consumers and businesses expected to benefit from cheaper borrowing costs, given falling inflation. Furthermore, while the global economy is widely forecast to weaken, it is still expected to grow, which presents pockets of opportunity for businesses and investors. However, geopolitical tensions, climate change, and elections in major economies pose headwinds to the outlook.

has shown, these conflicts have the potential to translate into higher energy and commodity prices and disrupt supply chains putting upward pressure on inflation, and lower growth, both globally and domestically. The Israel-Hamas war, which emerged in the latter part of 2023 is showing an increased risk of escalation into a broader regional war in the Middle East. Consequently, the conflict in the Middle East will expand in 2024, potentially by the disruptive attacks in the Red Sea initiated by Yemen's Houthi movement that spearheaded a series of attacks, targeting Southern Israel and the ships in the Red Sea it claimed were linked to Israel. According to the World Bank, recent Red Sea ship attacks have already begun to wreak havoc on important shipping lanes, reducing supply chain flexibility, potentially leading to inflationary bottlenecks, potentially impacting energy supplies, deterring investment, and increasing geopolitical and economic uncertainty. In contrast to the intense combat on the ground in the Middle East, the U.S. and China have been in a head-to-head trade war, which has ballooned in recent times with increased tariffs on imports as well as many sanctions by both nations. 2024 could bring new turbulence. From presidential elections in Taiwan, and the U.S. to continued U.S.-China trade fights. Further deterioration in the U.S.-

³ United Nations

⁴ United Nations World Economic Situation and Prospects (WESP) 2024

⁵ Global food commodity prices finally easing in 2024 after three years of turbulence. Food commodity prices are finally set to ease in 2024 after three years of major market instability caused by war, adverse weather and rising energy and input costs.

⁶ European Central Bank

⁷ Oxford Economics

China trade relations could further dampen trade flows, business investment, and economic growth along with global growth from the world's two largest economies. These developments carry with them the risk that consumers, businesses, and sovereigns will see a recurrence of the issues they faced in the seasons not so long ago if the conflicts escalate and become protracted. Geopolitical tensions therefore represent a major downside risks that could induce higher commodity prices, supply chain disruptions that reignite inflation pressure, and prolong the interest rate environment that could weaken global growth more than expected this year.

Major elections this year could impact geopolitics and the world economy

2024 will be a historic election year with national elections in at least 64 countries, impacting geopolitics, international trade, and society. The results may shape the policies of powerful economies like Russia, the UK, and the US, and have a substantial impact on the world economy. The U.S. presidential election, between incumbent Joe Biden and GOP front runner, former president Donald Trump, could either improve or deteriorate the country's social fabric, political institutions, foreign policy positions, and international standing. The US presidential election will determine policies on inflation, foreign policy, climate change, and U.S.-China ties. The outcome could impact China's territorial claims over Taiwan and China's relationship with Taiwan. Additionally, a republican administration could weaken Ukraine's support, with the US being Ukraine's largest economic and military backer. The ongoing conflict between Russia and Ukraine will have political and economic ramifications in 2024 given Putin's certain Russian presidency re-election. Elections across a number of EU member states along with European Parliament elections will significantly impact the EU's policy orientation, including expansion, Ukraine policy, and future ties with the UK. The European Green Deal and climate policies will be impacted, and policies will be aimed at the Israel-Gaza conflict, Ukraine war, green transition, and EU competitiveness. Conversely, strong political winds are blowing against Prime Minister Rishi Sunak's conservative government which will reshape the U.K. Based on poll results, the opposition Labour Party is seen as more competent in handling the economy. Climate change, greater relationships with the United States, closer trade between the United Kingdom and the European Union in support of the Brexit agreement, and increased support for Ukraine are all on the Labour Party's agenda. In the LATAM (Latin American) and Caribbean region, Venezuela's unpredictable 2024 elections could impact Guyana's economy, as opposition candidate Maduro's rubber-stamping victory at the polls could undermine diplomatic relations regarding the Venezuela-Guyana border dispute. While Jamaica will not have general elections this year, the results of elections in the global space could have implications for the domestic economy, particularly on trade relations and geopolitics.

The major themes that are expected to shape 2024 present both headwinds and tailwinds for the economic outlook. This year looks set to be a turning point for interest rates, with consumers and businesses expected to benefit from cheaper borrowing costs, given falling inflation. Furthermore, while the global economy is widely forecast to weaken, it is still expected to grow, which presents pockets of opportunity for businesses and

investors. However, geopolitical tensions, climate change, and elections in major economies pose headwinds to the outlook. While the global economy remains resilient, increased geopolitical tensions will present challenges. Notably, if it escalates, the crisis in the Middle East could have significant implications for the global economy, particularly through disruptions in energy supply and increased inflation, which could delay the reduction in policy rates by central banks. Climate change and El Nino also pose upside risks to inflation, and global trade volumes, and ultimately could weaken growth more than expected. El Nino, a natural climate phenomenon that alters global weather patterns, has officially returned after four years, threatening to cause a resurgence in food inflation and extreme weather conditions. El Nino saw the world recording one of the hottest years in 2023, and 2024 is expected to be a repeat or even warmer⁸. It also brought dryness to large parts of Asia in 2023 and is forecast to continue in the first half of 2024, putting at risk supplies of rice, wheat, palm oil, and other farm products in some of the world's top agricultural exporters and importers. The risk is that this could erode the improvement made in bringing the inflation rate down and delay or temper interest rate cuts this year. Furthermore, the marked differences in Biden's and Trump's policies on international relations, the environment, and most notably trade will be crucial for the growth outlook, inflation, and interest rates. Considering the themes that are expected to play out in the global and local economy this year, our base case scenario anticipates growth; however, significant headwinds might temper the growth outlook.

Foreign Exchange Market

The Jamaican dollar depreciated by 0.73% relative to the USD (week-over-week), moving from a selling rate of \$155.13 on January 5, 2024, to \$156.28 on January 12, 2024. Increased end-user demand, coupled with the fact that earners of foreign exchange are not selling as much USD to the market as in December, contributed to the weakening of the local currency.

Selling	Close: 5/01/23	Close: 12/01/24	Change
J\$/US\$1	\$155.13	\$156.28	+\$1.15
J\$/CDN\$1	\$116.80	\$118.08	+\$1.28
J\$/GBP£1	\$197.46	\$199.46	+\$2.00

Global Bond Prices

Bond investors seemed unbothered by the modest rise in the consumer inflation data last week, with the yield on the benchmark 10-year U.S. Treasury note falling back to 4.0% coming from 4.103% the prior week. Inflation data were front and centre last week, with the latest read on the Consumer Price Index (CPI) and Producer Price Index (PPI). Headline CPI rose by 3.4% year-over-year in December, above consensus expectations for a 3.2% increase, and up from the November reading of 3.1%. On a month-over-month basis, the headline CPI index rose by 0.3% in December up from a 0.1% increase in November. On the bright side, Core CPI continued to move lower, rising by 3.9% year-over-year, slightly above consensus

⁸ United Nations

expectations of 3.8%, but below the November reading of 4%. Furthermore, PPI data showed promising signs that prices are falling, with headline producer prices decreasing in December for the third consecutive month, while core PPI rose by only 1.8% compared to the previous year, marking the lowest figure in three years.

Despite the uptick in the CPI, investors continue to price in rate cuts for 2024 as reflected in less volatility in the bond market, amidst the inflation and other key data release. Retail traders noted that the Federal Reserve Bank of New York's use of reverse repurchase agreements (reverse repos) declined to its lowest level in a year on Thursday⁹. This implies that the bank's efforts to minimize money supply have been deteriorating, which is a positive sign in the eyes of retail investors betting on rate cuts to begin the summer of 2024¹⁰. Some retail traders have reported that the high-yield bond market felt relatively less volatile, amid broad risk-on sentiment, as equities rallied before the release of consumer price data. They noted that the higher-than-expected consumer inflation and employment data seemed to have a negligible impact on investors, and the deals that came to the market were well received. Initial jobless claims were largely unchanged from the prior week at 202,000 and are well below the 30-year average of roughly 372,000, highlighting the strength of current labour-market conditions.

In the emerging market, debt issuance levels hit a record high of approximately US\$50Bn in the first few days of 2024 as the rush ensues to lock in lower borrowing prices. One main driver of this has been Mexico, with its biggest cross-border issue of approximately US\$21Bn. The country has enjoyed issuing its notes at tighter spreads relative to 2023. This dash for cash comes at a time when governments and entities are still unsure of the picture the global economic landscape will paint in 2024, therefore, locking in favourable interest rates to fund projects has become a priority.

Bonds	Current Rating	Indicative Price	Yield	Recommendation
ALSEA (7.75%) 2026	Ba3/STABLE	104.25	6.14%	BUY
BACR (5.75%) 2026	BBB+/STABLE	103.75	4.22%	BUY
BERMUDA (3.72%) 2027	A2/STABLE	99.25	3.98%	BUY
CHTR (4.20%) 2028	Ba1/STABLE	97.75	4.80%	BUY
DOMREP (5.50%) 2025	BB/STABLE	101.50	4.02%	BUY
DOMREP (5.50%) 2029	BB/STABLE	99.25	5.67%	BUY
DOMREP (5.88%) 2024	BB/STABLE	101.75	-0.87%	BUY
DOMREP (5.95%) 2027	BB/STABLE	102.00	5.23%	BUY
DOMREP (6.00%) 2033	BB/STABLE	99.00	6.14%	BUY

Bonds	Current Rating	Indicative Price	Yield	Recommendation
DOMREP (6.88%) 2026	BB/STABLE	104.90	4.35%	BUY
DOMREP (8.63%) 2027	BB/STABLE	105.50	6.39%	BUY
DOMREP (6.00%) 2028	BB/STABLE	101.25	5.68%	BUY
FRICON (7.70%) 2028	B+/STABLE	89.00	10.84%	BUY
TPHLTT (9.00%) 2029	BB/STABLE	108.00	7.23%	BUY
JAMAN (7.63%) 2025N	BB-/STABLE	104.50	4.46%	BUY
NETFLIX (5.88%) 2028	BBB/STABLE	107.00	4.26%	BUY
OPY (5.50%) 2025	Ba3/STABLE	99.00	6.12%	BUY
PYPL (2.85%) 2029	A-/STABLE	93.00	4.24%	BUY
PRIOBZ (6.13%) 2026	BB-/STABLE	100.75	5.78%	BUY
PRMRPA (10.75%) 2028	B+/POSITIVE	109.50	8.22%	BUY
SFC (5.30%) 2028	BB-/POSITIVE	98.00	5.83%	BUY
TRAJAM (5.75%) 2036	BB-/STABLE	90.75	6.84%	BUY
GM (5.4%) 2029	Baa2/STABLE	103.95	4.61%	BUY
WBD (4.054%) 2029	BBB-/STABLE	97.50	4.66%	BUY
CSOLNO (6.00%) 2027	B+/STABLE	73.25	17.79%	SELL
PEMEX (5.35%) 2028	B+/STABLE	89.50	8.46%	SELL
BANORTE (5.75%) 2031	BBB-/STABLE	96.75	6.29%	SELL

GOJ Globals

Ticker	Maturity	Bid	Offer Yield*
JAMAN	2028	105.70	4.84%
	2039	122.20	5.69%
	2045	119.60	6.21%

*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.

⁹ Reverse repos encourage banks to place money with the Federal Reserve, thereby draining cash from the banking system which helps to cool inflation.

¹⁰ T. Rowe Price, Global Markets Weekly Update, January 12, 2024.

Local Corporate Bonds

Name	Maturity	Coupn	Price	Yield
BDHR	2027	8.15%	100.35	8.02%
SJPC	2032	8.85%	103.90	8.19%
PBS	2025	6.50%	100.85	6.03%

Money Market

In the money market, Jamaican Dollar liquidity continued to fluctuate, while the US Dollar remained moderately liquid. As of January 12, a total of J\$18.24Bn was in the market, as represented by the BOJ's aggregated current balances. The aggregated closing current account balance increased by J\$12.77Mn from J\$18.23Bn on January 5th. There was no BOJ intervention in the foreign exchange market via B-FXITT last week. On the demand side, broker demand for JMD fluctuated week-over-week, particularly for short-term funds. That said, in the USD money market, broker market demand continues to be high and skewed towards longer-tenured funds.

Short-term interest rates rallied slightly last week and the demand for money market instruments remains high with investors oversubscribing to some recent BOJ auctions. The average yield from the BOJ's 30-day competitive price auction saw a marginal increase to 10.35% relative to 10.32% recorded in the prior week. The auction was oversubscribed, as bids received totalled J\$46Bn relative to the offer size of J\$41Bn. The highest bid rate for full allocation remained at 11%. Similarly, the GOJ 91-day, 182-day, and 273-day T-Bill auctions were oversubscribed. For an offer size of J\$700Mn for the 91-day and 182-day, and an offer size of J\$800Mn for the 273-day auctions, bids received for the auctions amounted to J\$1.89Bn, J\$1.96Bn, and J\$1.73Bn, respectively. On the flip side, the BOJ 2-year 6-month indexed noted auction was undersubscribed. Bids received totalled US\$55.9Mn with only US\$54.2Mn allocated, relative to the offer size of US\$96.5Bn.

Dates to watch this week

■ International ■ Local

January 2024				
MON	TUE	WED	THUR	FRI
15	16	17	18	19
Consumer Price Index (Dec) International Merchandise Trade (Sept)	CAN CPI Data Release (MoM)/(YoY) (Dec)	GBP CPI Data Release (MoM)/(YoY) (Dec) GBP PPI Data Release (MoM)/(YoY) (Dec) EU CPI Data Release (MoM)/(YoY) (Dec)	Consumer Price Index (Dec) International Merchandise Trade (Sept)	ECL Annual/Extra-Ordinary General Meeting MTL Annual/Extra-Ordinary General Meeting SCI Annual/Extra-Ordinary General Meeting
	KW Dividend Payment Date (\$0.43)	ECL Annual/Extra-Ordinary General Meeting MTL Annual/Extra-Ordinary General Meeting SCI Annual/Extra-Ordinary General Meeting	ASBH Dividend Payment Date (\$0.0126 TT)	JP Dividend Payment Date (\$0.30) SGJ Dividend Payment Date (\$0.40)

Recommendations

Ticker	Closing Price (January 16, 2024)	P/E	Avg. Sector P/E	Current Recommendation
ASBH	\$45.00	20.18x	15.60x	BUY
CAR	\$8.53	9.94x	15.60x	BUY
CCC	\$56.25	8.68x	19.43x	BUY
CPJ	\$8.48	11.49x	15.60x	BUY
ECL	\$4.00	14.17x	19.38x	BUY
FESCO	\$3.70	15.24x	15.74x	BUY
INDIES	\$2.84	18.00x	14.85x	BUY
IPCL	\$2.00	11.71x	14.85x	BUY
JBG	\$32.61	6.66x	15.60x	BUY
KEX	\$12.38	19.34x	19.38x	BUY
LASD	\$3.86	8.87x	15.74x	BUY
LASM	\$4.50	7.84x	23.78x	BUY
MEEG	\$14.46	20.96x	19.38x	BUY
SGJ	\$41.09	7.42x	11.89x	BUY
SVL	\$25.00	21.36x	12.33x	BUY
TJH	\$2.91	36.10x	19.42x	BUY
TJHUSD	\$0.0185	37.00X	20.21x	BUY
KW	\$26.95	12.97X	19.42x	BUY
GK	\$77.65	10.20X	10.05x	BUY

Regional News

Guyana Saves Millions of Dollars Due To Oil Production (Caribbean Loop News)

The government of Guyana has reportedly realized substantial savings, amounting to millions of dollars, since the commencement of oil production in 2020. Officials indicate that Guyana has successfully saved just over US\$800Mn from a total of more than US\$3Bn in oil revenues. In 2023, the government made withdrawals totalling US\$1.002Bn from the Natural Resource Fund (NRF) based on the legally established formula. A senior government official estimates that following these withdrawals, Guyana has preserved almost US\$500 million. The official further explained that, by the end of 2023, the government anticipates having set aside just over US\$800Mn. These withdrawals have been directed to the Consolidated Fund for budgeted capital projects and programs. Additionally, in 2022, Guyana achieved savings of US\$269Mn, earning almost US\$13Mn in interest. Notably, all funds deposited in the NRF at the United States Federal Reserve have been earning approximately 5% from overnight deposits.

Subdued Growth, Multiple Challenges For Latin America and the Caribbean (World Bank Group)

The World Bank, in its Global Economic Prospects report for Latin America and the Caribbean, noted that in 2023, the region experienced a significant economic slowdown, growing just 2.2%, down from 3.9% in 2022. This deceleration came within the context of heightened inflation, tight monetary conditions, weak global trade, and adverse weather events. "The economic outlook for the region suggests a gradual recovery, with growth projected to increase to 2.3% in 2024 and 2.5% in 2025. While the lingering effects of previous monetary tightening will continue to influence near-term growth, their impact is expected to diminish. As inflation slows, central banks are expected to reduce interest rates, alleviating obstacles to investment growth, the World Bank reported.

The World Bank noted that excluding Guyana, which is experiencing a resource boom, Caribbean economies are expected to grow by 4.1% in 2024 and 3.9% in 2025, partly due to the ongoing expansion of the tourism sector. The Bahamas is estimated to register growth of 4.3% in 2023, then fall to 1.8% in 2024 and 1.6% in 2025. Barbados, which registered growth of 4.6% last year, will record 4.0% and 3.0% growth over the next two years. Similarly, Belize's estimated 4.5% growth last year is predicted to fall to 3.5% and 3.3% in the next two years. St Lucia's 3.2% economic growth in 2023 will decline to 2.9% and 2.3% over the next two years. Regarding the region's downside risks, the World Bank anticipates that escalating geopolitical tensions, especially in the Middle East, could disrupt energy markets and cause oil prices to surge.

International News

IMF Sees Global Economy Staying 'Resilient' But Growing Too Slowly in 2024 (Reuters)

According to the International Monetary Fund (IMF), global economic growth will remain "resilient" this year after a stronger-than-expected 2023. Still, work is needed to boost global growth rates above an anaemic 3% range in the medium term. IMF spokesperson Julie Kozack explained that the global economy appeared headed for a "soft landing" with inflation subsiding and labour markets resilient, but low-income countries could still fall further behind. Kozack said dire predictions of recessions in many regions that were prevalent a year ago did not materialise in 2023. "So we've had a relatively resilient global economy so far. We expect that resilience to continue into 2024," Kozack said, noting that inflation was coming down.

However, the news is "not all good" because recent and near-term growth of about 3% is lower than previous pre-COVID global average growth rates of around 3.8%. "So we do have work to do to lift global growth, especially over the medium term," she noted, adding that the situation pointed to the need for sound policies and reforms that could raise productivity. Asked if the economic resilience in 2024 would spread beyond the United States, Kozack said there is a divergence of fortunes among countries and regions, with a risk that low-income countries could fall further behind. "Low-income countries are having the hardest time recovering from a series of shocks, including the pandemic, the food and oil price shocks," as such, the Fund's work in 2024 will strongly focus on helping its most vulnerable member countries.

UK Could Beat US and Eurozone To Sub-2% Inflation (Reuters)

Britain, which has experienced the most robust inflation among the world's major economies over the past two years, may witness a deceleration in its rate of price growth to below 2% before both the United States and the eurozone, according to a statement by consultancy firm Capital Economics on Friday. The firm predicted that inflation in Britain could dip to 1.7% in April, while the eurozone might register 2.0%, and the United States 2.6% during the same period. The Bank of England has signalled its intention to maintain high interest rates for an extended period to mitigate the impact of the inflation surge, which peaked at 11% in October 2022. However, market expectations suggest the possibility of a rate cut as early as May, influenced by a recent softening in inflation.

Projections indicate a slight decline in Britain's headline inflation from 3.9% in November to 3.8% in December. While U.S. and euro zone inflation showed marginal increases last month, Capital Economics anticipates that Britain's inflation, expected to rise in January, will resume its downward trajectory due to unique factors influencing price growth in early 2023. Despite potential risks, such as a slower decline in underlying inflation and increased shipping costs resulting from Red Sea tensions, Capital Economics posits that, if their predictions hold, April could mark the first time in two years that the UK's inflation rate falls below that of the US and the eurozone.

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