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“It’s not how much money you make, but how much money you keep, how hard it works for you, and how many generations you keep it for.” – Robert Kiyosaki

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Q4 2023 Earnings Season Off to a Positive Start

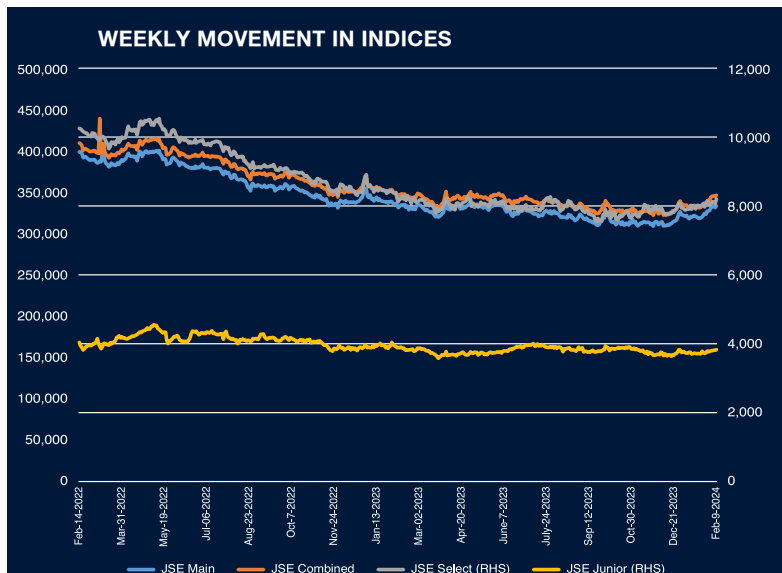
As the earnings season for the quarter ending December 2023 commences and the financial results start to slowly trickle in, an overall positive trend emerges among the companies that have reported earnings up to February. Ten companies released their financials over the period, with releases being evenly split between main market (5) and junior market (5) companies, but were across various sectors. With a few standouts, the majority of the companies reported solid Year-Over-Year (YOY) growth in their bottom line for Q4. Of note, eight of the ten companies have seen improvement in their stock prices year to date, as the stock market saw gains over the last 3 weeks, as it rebounds from the downward trend at the start of the year. Overall, we anticipate that the positive trajectory will continue as the remaining companies release their earnings for the quarter in the upcoming weeks.

One notable result is the resilience shown by companies within the main market financial sector that have released earnings thus far. Despite the high-interest rate environment, which tends to weigh on gains from securities trading and for some, net interest income, these companies recorded significant improvements in their YOY net profit performances. Notably, National Commercial Bank Financial Group (NCBFG) reported a 123.3% (or \$1.69Bn) surge in net profit, driven primarily by a robust 28.4% (or \$7.63Bn) growth in revenue due to an 85.3% (or \$6.91Bn) increase in net revenues from insurance services. Similarly, QWI Investments (QWI) has experienced a substantial 127.7% gain, rebounding from a \$64.92Mn net loss in the previous year. The increase was largely driven by strong performance in the company's overseas portfolio as US stocks rallied on the back of easing inflation and the prospect of rate cuts by the Federal Reserve later this

year. Notably, the S&P 500 index ended the year near a record high, having rallied 11.7% in the December quarter and appreciating 4.4% in the month of December alone.

In contrast, the junior market financial sector presented a more mixed picture, with varying results from Lasco Financial (LASF) and Dolla Financials (DOLLA). LASF reported earnings growth, while DOLLA experienced a slight contraction in earnings for the quarter. Despite a 2.5% (or \$14.29Mn) decline in revenue, LASF managed to achieve a noteworthy 18.6% (or \$5.71Mn) increase in its net profit aided by a significant 29.3% (or \$8.42Mn) reduction in its interest expense. In contrast, DOLLA had a marginal -0.1% dip in net profit despite robust revenue growth of 27.6% (or \$59.78Mn). Nevertheless, both companies' stock prices appreciated Year to date (YTD), LASF (+6.3%), and DOLLA (+7.4%), indicating positive market sentiments.

Beyond the financial sector, companies within the Manufacturing and Distribution sector (Main & Junior Market) have all experienced positive results, driven by higher revenues, which resulted in improvements in their bottom-line performances. While there was a 9.3% uptick in Wisynco's revenues, this was offset by a 12.9% increase in operating expenses, which resulted in just a marginal 0.3% increase in net profit for the quarter relative to December 2022. The increase in expenses was largely due to inflationary pressures, as well as expenses stemming from hiring additional talent for its expansionary projects. Despite the muted earnings, the company's stock price inched upwards by 1.9% YTD. On the Junior Market, LASM and LASD witnessed revenue growth of 12.5% and 7.9%, respectively, which reflects stronger sales and sustained business activity. This increased demand



MOVEMENT IN INDICES

JSE Indices	Closing Levels	Week over Week (%)	YTD % change
Combined Index	348,109.02	+1.75%	+2.64%
Main Market Index	335,251.40	+1.79%	+2.93%
Select Index	8,239.64	+2.02%	+1.47%
Junior Market Index	3,847.53	+1.28%	-0.02%

WINNERS & LOSERS FOR THE WEEK ENDED FEB. 9, 2024

	\$ Change	% Change
SILUSD	+\$0.01	+33.33%
LAB	+\$0.27	+19.01%
SALF	-\$0.71	-18.59%
TTECH	-\$0.43	-17.27%

MARKET OVERVIEW

All major JSE indices advanced for the trading week ending February 9, 2024, with the market extending gains for a third consecutive week. This could reflect optimism for corporate earnings for the December quarter earnings season.

The top two advancers were the JSE Cross-Listed Index (+4.57%) and the JSE Financial Index (+2.27%). The JSE Cross-Listed Index was mainly driven by Massy Holdings Ltd. (+4.56%). To a lesser extent, the price appreciation of Guardian Holdings Limited (+1.47) also contributed to the appreciation of the Cross-Listed Index. The JSE Financial Index's growth last week was mainly attributed to Scotia Group Jamaica's share price increasing by 9.01% and NCB Financial Group growing by 2.66%. NCBFG's share price appreciation is likely due to investors' positive reaction to its first-quarter results, where Q1 net profit ending December 31, 2023, increased by 170.14% to close at US\$5.97Bn relative to Q1 2022. Further to this, the announcement that its Board of Directors would consider a dividend at its next meeting may have also driven last week's price appreciation.

Overall market activity resulted from trading in 123 stocks, of which 68 advanced, 43 declined, and 12 traded firm. Market volume amounted to 107.298Mn units valued at over \$391.042Mn. This reflects a 19.73% decrease in volume and a 74.86% decrease in value relative to the previous week. Relative to this time last year, the volume traded increased by 7.75%, while the aggregate value of units traded fell by 53.39%. The overall leaders for volume traded last week were; Wigton Windfarm Limited (17.62Mn units), JMMB Group Limited 9.50% Preference Shares (13.70Mn units), and Dolla Financial Services Limited (11.03Mn units).

translated to a 16.6% (LASM) and 17.9% (LASD) increase in net profit and also an 8.0% (LASM) and 4.8% (LASD) increase in price YTD. In addition to the favourable earnings results, another common theme across the companies in this sector was the significant falloff in interest expense during this quarter, which contributed to improved profitability. For Wisynco, interest expense fell by 82.4% (or \$81.67Mn), and there was a 68.7% (or \$3.46Mn) and 99.5% (or \$23.28Mn) decline for LASM and LASD, respectively. The decline in interest expense for LASM and LASD would have been as a result of the companies paying down debt which fell -66.9% and -93.7%, respectively.

Amidst these performances, Stanley Motta (SML) stands out with a 134.1% YoY increase in net profit on the back of gains from the annual revaluation of its investment properties. SML's stock price has been trending upward, increasing by 28.4% since the start of the year.

That being said, on the declining end were Massy and Cargo Handlers, which saw 6.2% and 14.5% contractions in their bottom-lines to TT\$182.69Mn and J\$64.36Mn, respectively. A reduction in container throughput during this period was the main driver of the outlook for Cargo Handlers. Importantly, management noted that it continues to prepare for potential shipping challenges that may result from climate shifts and geopolitical disruptions in 2024. For Massy, despite the robust 18.6% (or TT\$630.69Mn) growth in revenues, it reported a decline in earnings for the quarter, which management attributes to isolated occurrences and changes that resulted in increased net expenses. Despite profit

setbacks, Massy's stock price increased by 10.0% to \$99.38¹.

As we progress through the remainder of the earnings season, the outlook remains promising. Historically, the December quarter is typically one of the strongest periods for many companies, and aside from outliers, we anticipate the continuation of the positive trend in upcoming releases. In the financial sector, we expect continued resilience, particularly among companies with diversified revenue streams. This diversification will help to offset the negative impact of high-interest rates on income and by extension earnings. We also expect that operational efficiency will continue to be a major theme across the sector as companies implement measures to offset lagging revenues, which should help to bolster earnings. Similarly, for the manufacturing and distribution companies, we anticipate improved earnings due to robust revenues expected for the quarter, aided by the seasonal impact of the high-demand holiday period coupled with efficiency gains.

Looking forward, manufacturing companies are poised to benefit from increased demand supported by higher employment levels and increased private consumption. However, several factors, including supply chain disruptions caused by geopolitical tensions and climate change could impact costs. Furthermore, a turn in the monetary policy trajectory later in the year may also buoy earnings for financial companies through trading gains. However, higher interest rates for longer may moderate consumer spending, temper slow economic growth and keep borrowing costs for

On the Junior Market, LASM and LASD witnessed revenue growth of 12.5% and 7.9%, respectively, which reflects stronger sales and sustained business activity. This increased demand translated to a 16.6% (LASM) and 17.9% (LASD) increase in net profit and also an 8.0% (LASM) and 4.8% (LASD) increase in price YTD.

companies elevated thereby delaying expansion plans, and growth potential. That said, if our base case scenario materializes and the risks from climate change and geopolitical tensions do not change the inflation trajectory, the policy rate cuts are likely to occur in the second half of the year and this should bode well for both companies and investors seeking to capitalise on favourable market conditions.

¹ Price as at Feb. 12

Foreign Exchange Market

For the week ending February 9, 2024, the Jamaican dollar depreciated by 0.30% relative to the USD (week-over-week), to close the week at a selling rate of J\$157.51. The depreciation was primarily due to strong demand for USD, relative to the supply in the market. This has historically been the case for the January to February period.

Selling	Close: 02/02/24	Close: 09/02/24	Change
J\$/US\$1	\$157.04	\$157.51	\$0.47
J\$/CDN\$1	\$117.09	\$117.41	\$0.32
J\$/GBP£1	\$199.58	\$199.93	\$0.35

Global Bond Prices

Outside of the revision to the consumer price index (CPI) for 2023, last week was quiet on the US economic calendar. U.S. monthly consumer prices rose less than initially thought in December; however, the overall inflation revisions were mixed and did not shift expectations on the timing of an anticipated interest rate cut from the Federal Reserve this year. The annual revisions published by the Labor Department on Friday showed the consumer price index increasing slightly more than previously reported in October and November. The data for November was revised to show the CPI increasing by 0.2% rather than 0.1% as previously estimated. The CPI gained 0.1% in October. Prices were previously reported to have been unchanged in October. However, CPI rose 0.2% in December instead of 0.3% as reported last month. The 3-month annualised increase in the CPI was revised to a 1.9% rate from a 1.8% pace. The revised CPI data had been eagerly awaited by financial markets and economists after Federal Reserve Governor Christopher Waller last month flagged them as among the key data pieces he would be watching as policymakers try to gauge progress in their fight against inflation. Still, with no major surprises in the revision, this can be characterised as a positive for the inflation outlook. The key takeaway from the report is that the lack of movement in this year's revisions shouldn't alter the Fed's approach to cutting rates later this year.

Treasury yields rose during the week, driven by a strong jobs report and Federal Reserve Chair Jerome Powell's comments during a "60 Minutes" TV interview. Initial jobless claims decreased by 9,000 to 218,000 in the week ended February 3; the median forecast from economists called for 220,000, pointing to a robust labour market. However, Powell's stance on not immediately cutting rates raised some concerns, especially given the interview's pre-recording before the surprisingly strong January payrolls report. Nevertheless, there is little doubt that the Fed will remain the primary force behind the performance of the market in 2024. Week-over-week, the 10-year treasury yield appreciated to 4.195% from 4.054%.

Bonds	Current Rating	Indicative Price	Yield	Recommendation
ALSEA (7.75%) 2026	Ba3/Stable	103.85	6.23%	BUY
BACR (5.75%) 2026	BBB+/Stable	103.50	4.27%	BUY
BERMUD (3.72%) 2027	A2/Stable	98.75	4.17%	BUY
CHTR (4.20%) 2028	Ba1/Stable	99.00	4.47%	BUY
DOMREP (5.50%) 2025	BB/Stable	102.00	3.34%	BUY
DOMREP (5.50%) 2029	BB/Stable	99.00	5.73%	BUY
DOMREP (5.95%) 2027	BB/Stable	102.25	5.12%	BUY
DOMREP (6.00%) 2033	BB/Stable	98.25	6.26%	BUY
DOMREP (6.00%) 2028	BB/Stable	102.25	5.42%	BUY
DOMREP (6.88%) 2026	BB/Stable	104.00	4.70%	BUY
FRICON (7.70%) 2028	B+/Stable	88.70	10.98%	BUY
GM (5.40%) 2029	Baa2/Stable	103.00	4.79%	BUY
JAMAN (7.63%) 2025N	BB-/Stable	104.00	4.61%	BUY
NFLX (5.88%) 2028	BBB/Stable	107.50	4.12%	BUY
OPY (5.50%) 2025	Ba3/Stable	101.70	4.40%	BUY
PRIOBZ (6.13%) 2026	BB-/Stable	100.75	5.77%	BUY
PRMRPA (10.75%) 2028	B+/Positive	108.00	8.57%	BUY
PYPL (2.85%) 2029	A-/Stable	92.75	4.32%	BUY
SFC (5.30%) 2028	BB-/Positive	98.75	5.63%	BUY
TPHLTT (9.00%) 2029	BB/Stable	108.00	7.21%	BUY
TRAJAM (5.75%) 2036	BB-/Stable	90.50	6.88%	BUY
WBD (4.13%) 2029	BBB-/Stable	97.50	4.67%	BUY
BANORT (5.75%) 2031	BB-/Stable	98.25	6.04%	SELL
CSOLNO (6.00%) 2027	B+/Stable	74.75	6.04%	SELL
PEMEX (5.35%) 2028	B+/Stable	89.50	8.51%	SELL

GOJ Globals

Ticker	Maturity	Bid	Offer Yield*
JAMAN	2028	104.20	5.30%
	2039	119.20	5.96%
	2045	116.95	6.41%

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

Local Corporate Bonds

Name	Maturity	Coupon	Price	Yield
SJPC	2032	8.85%	105.00	8.00%

Money Market

Last week, money market liquidity for JMD and USD money market liquidity remained moderately liquid. As of the 9th of February, a total of J\$30.44Bn was in the market, as represented by the BOJ's aggregated current balances. The aggregated closing current account balance increased by J\$779.36Mn from J\$29.66Bn. There were no BOJ interventions in the foreign exchange market via B-FXITT last week. Broker demand for JMD was moderate, particularly for short-term funds, while rates in the retail market have stayed consistent on JMD placements. Similarly, in the USD money market, liquidity has been reasonable, with most brokers generally willing to accept long-term placements.

Demand for money market instruments remains high with investors oversubscribing the recent BOJ auction. The average yield on the 30-day CD competitive price auction inched up to 10.48% compared to 10.41% in the prior week. The auction was oversubscribed, with bids received totalling \$52.1Bn relative to the offered size of J\$43Bn. The highest bid rate for full allocation was 10.99%, up 14 basis points (bps) week over week. The next auction date for the Bank of Jamaica 30-day CD is the 13th of February.

Finally, the GOJ 91-day T-Bill auction was oversubscribed; for an offer size of J\$700Mn, bids received amounted to J\$1.4Bn. The highest bid rate for full allocation at the auction was 8.50%, with an average yield of 8.35%. The 182-day auction was similarly oversubscribed, with bids totalling J\$1.79Bn, compared to offer size of J\$700Mn. The highest bid rate for full allocation was 8.35%, with the auction's average yield coming in at 8.30%. Also oversubscribed was the 273-day auction, with bids totalling J\$2.6Bn compared to an offer size of J\$800Mn. The highest bid rate for full allocation was 8.75%, with the auction's average yield coming in at 8.61%.

Dates to watch this week

■ International ■ Local

February 2024				
MON	TUE	WED	THUR	FRI
12	13	14	15	16
			U.K. GDP (QoQ - Q4) (MoM) (YoY) (Dec)	U.S. PPI (MoM) (YoY) (Jan)
	U.S. Core CPI (MoM) (YoY) (Jan) U.S. CPI (MoM) & (YoY) (Jan)	UK CPI (MoM) (YoY) (Jan) UK Core CPI (MoM) (YoY) (Jan)	Main Event Entertainment Group (MEEG) Dividend Payment Date (JMD\$0.12 per share)	

Recommendations

Ticker	Closing Price (February 13, 2024)	P/E	Avg. Sector P/E	Current Recommendation
CAR	\$8.72	10.2x	15.3x	BUY
CCC	\$55.06	8.5x	21.0x	BUY
CPJ	\$9.11	12.4x	15.3x	BUY
ECL	\$3.84	13.6x	19.9x	BUY
FESCO	\$3.72	15.3x	16.6x	BUY
GK	\$75.98	10.0x	10.6x	BUY
INDIES	\$2.66	16.9x	14.2x	BUY
IPCL	\$1.98	11.6x	14.2x	BUY
JBG	\$34.34	7.0x	15.3x	BUY
KEX	\$12.38	19.3x	19.9x	BUY
LASD	\$3.85	8.5x	16.6x	BUY
LASM	\$4.90	8.4x	26.5x	BUY
MEEG	\$14.91	21.6x	19.9	BUY
SVL	\$26.16	22.4x	13.3x	BUY
TJH	\$3.19	39.6x	21.1x	BUY
TJHUSD	\$0.02	40.2x	21.2x	BUY
KW	\$28.11	13.5x	21.0x	BUY
SOS	\$1.92	15.3x	16.6x	BUY
SALF	\$3.42	20.1x	15.3x	SELL

Regional News

Panama Canal: No New Plans to Restrict Transit

Deputy Administrator Ilya Espino has announced that the Panama Canal will not impose further vessel transit restrictions until at least April. The decision stems from the authority's plan to evaluate water levels at the conclusion of the dry season. Notably, the canal had to reduce daily vessel allowances last year due to a severe drought. However, December rains provided relief, enabling the suspension of anticipated restrictions for January. Recent ship attacks in the Red Sea have compelled vessel owners to opt for longer routes, boosting demand for Panama Canal transits. Until April, the canal will maintain 24 authorized transits per day. If expected May rains materialize, authorities aim to progressively increase daily slots, targeting a return to the usual 36 vessels per day during the rainy season. Insufficient rainfall might prompt additional restrictions on daily passage or vessel draft to preserve water levels. The canal's inability to accommodate heightened demand from the Red Sea, plagued by Suez Canal disruptions, is linked to the need to protect reservoir-fed water levels. Consequently, the Panama Canal Authority forecasts a potential \$700 million reduction in toll revenues for the current fiscal year, with a projected shortfall of 1,500 vessels in 2024 compared to normal conditions, as noted by Espino. - *Reuters*

Changes on the Horizon for the Bahamas

The Government of The Bahamas is embarking on significant tax reforms that will impact cruise lines operating on Bahamian private islands, bringing an end to their nine-year value-added tax (VAT) free status. Simon Wilson, the financial secretary of the Ministry of Finance, confirmed the authenticity of a Department of Inland Revenue "guidance document" outlining the plan to change the tax treatment of goods and services provided to millions of tourists visiting these locations annually. The proposed reform involves levying VAT at the standard 10.0% rate on all transactions within these areas. While the International Monetary Fund (IMF) recommends introducing a personal income tax targeting the top 10.0% of earners, the Bahamian government disagrees, asserting that the current tax system has enough "buoyancy" to achieve its revenue goals. The IMF's suggested reforms include corporate and personal income taxes, but their implementation faces challenges in a country without a history of such taxation, requiring substantial investments in personnel training and technology. Despite resistance, the Bahamas aims to reach a government revenue-to-GDP ratio of 25.0% by the 2025-2026 fiscal year. The IMF warns that without reforms, this goal may remain elusive, projecting a ratio just below 22.0% through 2032-2033. The proposed VAT changes and discussions surrounding a corporate income tax signal a potential shift for The Bahamas, aiming to reduce reliance on tourism and enhance fiscal resilience. However, the ultimate impact of these tax reforms

remains uncertain. - *The Tribune & NCBCM Research*

International News

Red Sea Tensions Risk Significantly Higher Inflation

The Organization for Economic Co-operation and Development (OECD) has raised concerns about the potential impact of elevated shipping costs resulting from ongoing tensions in the Red Sea on the global fight against inflation. The Paris-based group revealed on Monday that the recent 100% rise in seaborne freight rates could lead to a nearly 5 percentage point increase in import price inflation across its 38 member countries if the tensions persist. This surge in inflation could contribute an additional 0.4% to overall price rises within a year, according to the OECD's estimates. The tensions stem from major shipping firms diverting their vessels away from the Suez Canal in late 2023, the quickest trade route between Europe and Asia, due to attacks by Iran-backed Houthi militants in Yemen. This has prompted ships to take the longer Cape of Good Hope route around the southern coast of Africa, resulting in a 30% to 50% increase in journey times and reducing global market capacity. Despite these challenges, the OECD acknowledges that the shipping industry had excess capacity in the previous year, which could help alleviate cost pressures. Clare Lombardelli, the chief economist at the OECD, stated that while a sustained increase in inflation is a risk, it is not the group's base case. - *CNBC*

Oil Market Will Face Supply Shortage by End of 2025

Occidental CEO Vicki Hollub has issued a cautionary warning, asserting that the oil market is on a trajectory toward a supply shortage by the close of 2025. She attributes this impending scarcity to the global failure to swiftly replace current crude reserves. Hollub underscores that a staggering 97% of today's oil was discovered in the 20th century, yet less than 50% of the crude produced over the past decade has been replenished, exposing a substantial gap in addressing depleted reserves. Despite ongoing conflicts in the Middle East, Hollub points out that the current oil market is oversupplied, contributing to lower prices. Notably, countries like the U.S., Brazil, Canada, and Guyana are pumping record amounts of oil amidst a slowdown in demand from China. While acknowledging the present market imbalance as a short-term demand issue, Hollub emphasises its transformation into a long-term supply problem in the coming years, with the supply and demand outlook anticipated to flip by the end of 2025. OPEC's prediction of global oil demand growing by 1.8 million barrels per day in 2025, surpassing production growth outside the cartel, suggests a potential supply deficit unless OPEC adjusts its production cuts. Despite lower prices in 2023, Hollub expects a rebound, with Occidental projecting WTI to average around \$80 in 2024. - *CNBC*

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