

# ▶ Market Guide

## THIS ISSUE

**Jamaica's Fiscal Renaissance: Surfing Towards Stronger Creditworthiness**

Foreign Exchange Market Summary

Money Market Update

Stock Recommendations

"Formal education will make you a living. Self-education will make you a fortune." — Jim Rohn

**Annya Walker, CFA**  
VP Strategy Research  
Innovation & Projects  
☎ (876) 935-2716  
✉ [Walkerad@jncb.com](mailto:Walkerad@jncb.com)

**Raju Gunnings, FMVA**  
Senior Research Analyst  
✉ [Gunningsr@jncb.com](mailto:Gunningsr@jncb.com)

**Thea Christian, CBCA, FMVA, CMSA**  
Senior Research Analyst  
✉ [Howardta@jncb.com](mailto:Howardta@jncb.com)

**Sarayis Campbell, FMVA**  
Research Analyst  
✉ [Campbellsm@jncb.com](mailto:Campbellsm@jncb.com)

**Shereese Bailey, CMSA**  
Research Analyst  
✉ [Baileysd@jncb.com](mailto:Baileysd@jncb.com)

**Jamie Muir, FMVA**  
Research Analyst  
✉ [Muirja@jncb.com](mailto:Muirja@jncb.com)

**Sean-Isaac Watson, CMSA**  
Research Analyst  
✉ [Watsonsi@jncb.com](mailto:Watsonsi@jncb.com)

## Jamaica's Fiscal Renaissance: Surfing Towards Stronger Creditworthiness

Jamaica's recent strides in prudent fiscal management and debt reduction have paved the way for its improved creditworthiness among international rating agencies. Fitch is the last of the big three international rating agencies to upgrade Jamaica's credit rating to BB-, following S&P's (BB-/Stable) and Moody's (B1/Positive) upgrade in September and October of 2023, respectively. The upgrades reflect the government's strides in reducing debt levels, supported by robust fiscal frameworks and a dedication to maintaining and growing primary surpluses. The consistent reductions in the debt-to-GDP ratio over the past decade, alongside forecasts of further reductions, signal that recent policies have put the country on a sustainable fiscal trajectory. Furthermore, Fitch's positive outlook underscores expectations for ongoing enhancements in debt metrics and policy frameworks, thereby reinforcing even more favourable prospects for Jamaica's creditworthiness. Emboldened by the recent successes, one has to ponder, what will it take Jamaica to increase its credit rating even further? The rating agency reports and a comparison with a few regional BB-rated peers in the region could provide us with some insights as to just what it will take.

After losing some ground during the pandemic, Jamaica's debt-to-GDP and debt-servicing costs<sup>1</sup> have been trending to historical lows. A return of fiscal and primary surpluses driven by increased tax revenue in the post-pandemic economic recovery are among the main drivers of the fiscal gains. Jamaica's prudent debt reduction has been supported by lower interest costs and

higher GDP, which is reflected in its declining debt-to-GDP ratio. For FY2023/24 it fell to 72.20% coming from 106.39% in FY2016/17<sup>2</sup> and is projected to further improve to 67.3% of GDP by the end of FY2024/25. Furthermore, ongoing primary and fiscal surpluses are expected to aid in reducing the debt-to-GDP to meet the government's target of 60.0% by 2028. The country managed to attain a 0.3% fiscal surplus in FY2023/24, repeating its FY2022/23 performance aided by the fiscal space created by having a lower interest bill. Reduced program spending has also helped to offset the impact of the wage reform by reallocating those funds to fulfill the wage increases. In addition, the primary surplus will allow the government to focus on reducing existing debt and interest payments. Over time, this should create greater capacity for investment in areas such as education and skilled labour development to improve productivity, health care, and critical infrastructure.

Having been upgraded to BB-, what will it take to secure a higher credit rating? Jamaica's recent improvements in its fiscal deficits and debt-to-GDP ratio have moved it to a new 'BB-rated' peer group that includes countries such as Costa Rica (CR) and the Dominican Republic (DR). These two countries are rated one notch higher than Jamaica (see Table 1). In terms of interest expense as a percentage of GDP, unemployment, and fiscal balance, Jamaica compares favourably to both countries. Jamaica maintains a stronger fiscal position, given its surplus of 0.3% in FY 2023-24, relative to the deficit being run by Costa Rica (-3.30%) and the Dominican Republic (-4.00%). Most importantly,

### WEEKLY MOVEMENT IN INDICES

MOVEMENT IN INDICES			
JSE Indices	Closing Levels	WoW % Change	YTD % Change
Combined Index	332,586.06	-0.77%	-1.94%
Main Market Index	319,451.54	-0.80%	-1.92%
Select Index	7,840.16	-0.63%	-3.45%
Junior Market Index	3,781.35	-0.34%	-1.74%

  

WINNERS & LOSERS FOR THE WEEK ENDED APRIL 26, 2024		
	\$ Change	% Change
SML	+\$0.77	+14.39%
KLE	+\$0.20	+10.15%
JMMBGL7.00NC	-\$0.52	-15.12%
PTL	-\$0.19	-13.01%

  

### MARKET OVERVIEW

Despite the recent data indicating a further easing of inflation pressures and the possibility that the interest rate environment could improve later this year and support higher stock valuations, the majority of the JSE Indices (7/9) continued to lose ground in trading last week. The index with the highest depreciation was the JSE Financial Index (-0.99%). Price declines in large market capitalisation stocks - namely Scotia Group Jamaica Limited (SGJ: -6.06%) and NCB Financial Group Limited (NCBFG: -1.06%) resulted in the index declining. NCBFG announced the issuance of \$5.0Bn in an additional public offer (APO) with the option to upsize to \$7.5Bn. The offer is set to open on May 6, 2024, with a proposed closing date of May 27, 2024. The net proceeds will be used to support a part of the company's deliberate plan to reallocate capital with a focus on reducing debt and bolstering capital. The USD Equities Index +0.20% was one of the two indices advancing with gains underpinned by Productive Business Solutions Ltd. (+3.98%) and Transjamaican Highway Ltd. (+1.00%). There was no news to support the price movements.

Overall market activity reflected trading in 126 stocks, of which 57 advanced, 47 declined, and 22 traded firm. Market volume amounted to 149.62Mn units valued at over \$1.44Bn. This marked a 165.24% increase in volume and a 201.69% increase in value relative to the previous week ending April 19, 2024. TransJamaican Highway Ltd., Sagico Group Jamaica Limited, and Jamaica Broilers Group were the week-over-week (WoW) volume leaders with 40.10Mn units (26.57%), 12.57Mn units (8.33%), and 12.22Mn units (8.10%) changing hands, respectively.

<sup>1</sup> Interest Expense as a % of GDP has decreased from 23.9% in 2017 to 18.8% in 2023.

<sup>2</sup> MOFPS

driven by higher tax revenue receipts, Jamaica is expected to continue to report recurrent fiscal and primary surpluses, which should support debt reduction. For Jamaica, prudent debt management requires the protection of the debt portfolio from adverse exchange rate movements, which can lead to significantly higher debt servicing costs. Approximately 60% of general government debt is denominated in foreign currency, and as the exchange rate depreciates, there is a simultaneous increase in the debt level in Jamaica dollar terms. However, though the interest burden is still above desired levels, it is also falling and currently sits below its BB rates peers.

However, despite unemployment being substantially lower than rated peers, Jamaica's real GDP growth lags that of CR and the DR. This marked differential between Jamaica's and its BB-rated peers' growth rates, perhaps lies in differences in labour productivity trends. Research has shown total factor productivity levels from 2000 to 2019 have decreased by 10.71% in Jamaica, compared to an 8.71% increase in the Dominican Republic and a 9.92% increase in Costa Rica<sup>3</sup>. Jamaica's debt-to-GDP is also comparatively higher than its peers, Costa Rica and Dominican Republic and the distance from the 'BB' credit rating category median of 52.0% is considerably greater than that of higher-rated peers (see Table 1). Although high, Jamaica has successfully reduced its debt-to-GDP ratio and is on track to achieve its fiscal target of 60.0% of GDP before the target year. The difference between Jamaica and its 'BB' rated peers' debt-to-GDP likely originates from its relatively low nominal GDP levels and Foreign Direct Investment (FDI) inflows<sup>4</sup>. CR and DR have both generated considerably more nominal GDP than Jamaica, which may be linked to both countries having larger and more diverse economies<sup>5</sup> and benefit from substantially more FDI.

Against this background, the potential for an upgrade in Jamaica's credit ratings hinges on several key factors

**This marked differential between Jamaica's and its BB-rated peers' growth rates, perhaps lies in differences in labour productivity trends.**

highlighted by credit rating agencies S&P, Fitch, and Moody's. Sustained and robust economic growth, comparable to peers at a similar developmental stage, is underscored by both S&P and Moody's as pivotal for enhancing economic resilience and competitiveness. Fitch, while not directly mentioning the GDP growth rate, aligns with this perspective by emphasizing improved growth prospects as crucial for potential upgrades. Additionally, all three agencies emphasize the importance of reducing the government debt-to-GDP ratio and interest burden over the medium term, bringing it closer to peer averages. This reduction in debt burden and affordability, coupled with higher-than-anticipated real GDP growth, as highlighted by Moody's, are seen as essential drivers for exerting upward pressure on Jamaica's credit ratings. Still, Jamaica has clearly done some things right. The sovereign has managed to churn out a fiscal surplus, reduce unemployment levels, and create more favourable debt servicing costs relative to higher-rated peers. Looking ahead, maintaining sustained efforts to diversify the economy, fortify governance structures, and uphold fiscal discipline will be crucial for Jamaica to sustain its trajectory toward enhanced creditworthiness.

3 Federal Reserve Bank of St. Louis

4 Dominican Republic received US\$4.0Bn in 2022 while Costa Rica received US\$3.045Bn. Jamaica only received US\$0.32Bn.

5 Among the three, Jamaica is the most service-dependent economy, highlighting its lower degree of economic diversification.

Figure 1: 'BB' Rated Peers' Credit Metrics (2023)

	Jamaica	Costa Rica	Dominican Republic
Credit Rating	BB-	BB	BB
Outlook	Positive	Stable	Stable
Fiscal Balance as a % of GDP	0.30%	-3.30%	-4.00%
Projected Long-Term GDP Growth Rate	1.29%	3.40%	5.00%
Unemployment Rate	4.20%	9.30%	12.00%
Debt-to-GDP	74.20%	63.30%	59.10%
Interest Expense as a % of GDP	18.80%	19.00%	19.50%

Source: MOFPS, S&P, Fitch Ratings

## Foreign Exchange Market

At the close of the week ending April 26, 2024, it took 0.55% more Jamaican dollars to purchase one USD, marking the fourth consecutive week of depreciation, as the local currency gave up marginal ground in trading activity. The weighted average selling rate for US\$1 was J\$157.21 at the close of trading last Friday. The Bank of Jamaica (BOJ) intervened on April 26, 2024, selling US\$20Mn; however, there was still some residual demand for USD. As such, the intervention was not enough to address the demand and supply imbalances in the market.

Selling	Close: 19/04/24	Close: 26/04/24	Change
J\$/US\$1	\$156.35	\$157.21	\$0.86
J\$/CDN\$1	\$114.40	\$116.20	\$1.80
J\$/GBP£1	\$196.17	\$197.31	\$1.14

## Global Bond Prices

Emerging Market (EM) Bond prices showed mixed results week-over-week due to various occurrences, including data showing that growth in the U.S. slowed in Q1 as elevated inflation persists. U.S. Real GDP rose 1.6% on an annualised basis in Q1 2024, below the 2.3% estimates after increasing 3.4% in Q4 2023. This is the weakest quarterly pace since Q2 2022. However, it is important to note that the deceleration in growth was not because of weak consumer spending, as people continue to spend, despite higher prices and elevated inflation. The hit to growth came from the change in private inventories and higher imports. Therefore, although weaker

than expectations, the general view of activity across Q1 2024 remains one of resilience. That is, a buoyant labour market and by extension, consumer demand has helped underpin the economy. The Labor Department reported on Thursday that initial jobless claims totalled 207,000 for the week of April 20, down 5,000 and below the 215,000 estimate. Consequently, while topline activity slowed from a more robust pace in Q4, growth remains positive and the underlying economy remains solid, with consumer spending leading the charge. However, there has been a notable slowdown in consumer spending. As such, Jeffrey Roach, chief economist at LPL Financial opined, "The economy will likely decelerate further in the following quarters as consumers are likely near the end of their spending splurge."

There was also some bad news on the inflation front. The Personal Consumption Expenditures (PCE) Price Index<sup>6</sup>, an inflation measure the Federal Reserve follows closely, increased ahead of estimate. The PCE accelerated at a 3.4% annualised pace for the quarter as price pressures remained elevated. This is its biggest gain in a year, up from 1.8% in Q4 2023, and ahead of the 3.0% estimate. Excluding food and energy, core PCE prices rose at a 3.7% rate up from 2.0% in Q4 2023. Similarly, for the month of March, PCE and Core PCE rose 2.7% and 2.8% year-over-year, respectively. Both measures increased 0.3% on a monthly basis, which equals the increase from February, but remains well above the Fed's 2% target. Central bank officials tend to focus on core inflation as a stronger indicator of long-term trends. As such, the stickiness of that component will likely deter the Fed from cutting rates and has further dampened market sentiment, raising concerns about a potential delay in the Federal Reserve's plans to cut interest rates. Consequently, investors have had to adjust their view of when the Fed will start easing, as inflation has remained elevated. The view as expressed through futures trading is that rate reductions will begin in September, with the Fed likely to cut just one or two times this year. Futures pricing also shifted after the GDP release, with traders now pointing to just one cut in 2024, according to CME Group calculations. Nonetheless, more insights on the economy and the Fed's future interest rate plans may come after the U.S. central bank's monetary policy meeting on May 1. Given these factors, we anticipate continued volatility in global bond yields, as rates remain elevated. Against the background of a robust labour market and subdued but still positive growth in the US economy, yields on the 10-year Treasury appreciated to 4.717% from 4.635% the prior week.

<sup>6</sup> The PCE Price Index Excluding Food and Energy, also known as the core PCE price index, is released as part of the monthly Personal Income and Outlays report. The core index makes it easier to see the underlying inflation trend by excluding two categories – food and energy – where prices tend to swing up and down more dramatically and more often than other prices.

Bonds	Currency Rating	Indicative Price	Yield	Recommendation
ALSEA (7.75%) 2026	Ba3/Stable	104.00	6.07%	BUY
BAGR (5.75%) 2026	BBB+/Stable	102.00	4.82%	BUY
BERMUD (3.72%) 2027	A2/Stable	97.25	4.81%	BUY
CHTR (4.20%) 2028	Ba1/Stable	95.50	5.51%	BUY
DOMREP (5.50%) 2025	BB/ Stable	101.25	3.75%	BUY
DOMREP (5.50%) 2029	BB/ Stable	97.80	6.03%	BUY
DOMREP (5.95%) 2027	BB/ Stable	101.00	5.55%	BUY
DOMREP (6.00%) 2033	BB/ Stable	96.65	6.50%	BUY
DOMREP (6.00%) 2028	BB/ Stable	100.50	5.86%	BUY
DOMREP (6.88%) 2026	BB/ Stable	102.75	5.19%	BUY
FRICON (7.70%) 2028	B+/Stable	90.40	10.57%	BUY
GM (5.40%) 2029	Baa2/Stable	100.80	5.23%	BUY
GS (5.798%) 2026	A/Stable	102.50	4.62%	BUY
GS (3.85%) 2027	A/Stable	98.55	4.42%	BUY
JAMAN (7.63%) 2025N	BB-/Stable	103.75	4.34%	BUY
NFLX (5.88%) 2028	BBB/Stable	104.50	4.76%	BUY
NRG (3.88%) 2032	BB/Positive	86.75	6.03%	BUY
OPY (5.50%) 2025	Ba3/Stable	100.00	5.50%	BUY
PRIOBZ (6.13%) 2026	BB-/Stable	101.00	5.61%	BUY
PRMRPA (10.75%) 2028	B+/Positive	107.55	8.60%	BUY
PYPL (2.85%) 2029	A-/Stable	91.00	4.76%	BUY
SFC (5.30%) 2028	BB-/Positive	99.50	5.44%	BUY
TPHLTT (9.00%) 2029	BB/Stable	106.50	7.48%	BUY
TRAJAM (5.75%) 2036	BB-/Stable	92.00	6.70%	BUY
WBD (4.13%) 2029	BBB-/Stable	94.47	5.39%	BUY
NRG (6.63%) 2027	BB/Positive	102.00	5.81%	HOLD

Bonds	Currency Rating	Indicative Price	Yield	Recommendation
BANORT (5.75%) 2031	BB-/Stable	98.00	6.09%	SELL
CSOLNO (6.00%) 2027	B+/Stable	81.25	14.52%	SELL
PEMEX (5.35%) 2028	B+/Stable	88.25	9.09%	SELL

## GOJ Globals

Ticker	Maturity	Bid	Offer Yield*
JAMAN	2028	101.875	6.21%
	2039	115.750	6.35%
	2045	114.625	6.59%

\*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%	100.35	8.02%
SJPC	2032	8.85%	103.90	8.19%

## Money Market

Last week, both the JMD and USD money markets remained moderately liquid, despite BOJ's intervention to sell USD, which removed JMD liquidity from the market. As of the 26th of April, a total of J\$44.12Bn was in the market, as represented by the aggregated current balances for deposit-taking institutions (DTIs). The aggregated closing current account balance decreased by J\$11.83Bn from J\$32.35Bn the prior week. Furthermore, the BOJ intervened once in the foreign exchange market to sell USD\$20.0Mn, which took JMD supply from the market. Additional JMD liquidity was removed from the market following the BOJ's twenty-five (25)-month 8.50% US-Indexed Note. The average yield for this auction was 8.93% and was oversubscribed with bids totalling J\$29.0Bn relative to the offered size of J\$14Bn, with the highest bid for full allocation being 9.14%. The note is set to mature on June 10, 2026. In the USD money market, broker market demand for USD remained moderately liquid, particularly for longer-tenured funds.

Demand for short-term instruments remains high as reflected in the increase in the bid-to-cover ratio for the most recent BOJ CD auction of 1.59, a 63bps increase relative to 0.96 the prior week. Notably, bids received totalled J\$55.0Bn relative to the offer size of J\$34.5Bn. The average yield from the BOJ's 30-day competitive price auction saw a decline further to 10.60% versus 11.02% in the prior week. The sustained fall in yield is likely due to the implementation of the reserve yield of 11.5% as well as signals that the BOJ could reduce its policy rate later this year as inflation eased, falling within the BOJ's target range for March. Consequently, the highest bid rate for full allocation was 10.99%, which fell from 14.00% in the prior week. The next auction date for

## Dates to watch this week

■ International ■ Local

April - May 2024				
MON	TUE	WED	THUR	FRI
29	30	01	02	03
Regency Petroleum Limited AGM	CPFV Dividend Payment Date (BBD\$0.0025 per share) JSE Dividend Payment Date (J\$0.263 per share)	U.S. Fed Rate Decision ISM Manufacturing PMI	Guardian Holdings Limited AGM	U.S. Unemployment Rate Release (April) U.S. ISM Services PMI (April)

## Recommendations

Ticker	Closing Price (April 30, 2024)	P/E	Avg. Sector P/E	Current Recommendation
CAR JA	\$8.94	12.3x	13.1x	BUY
CPJ JA	\$8.99	11.3x	13.1x	BUY
ECL JA	\$3.92	14.2x	16.3x	BUY
FESCO JA	\$3.52	14.6x	15.5x	BUY
GK JA	\$73.02	9.4x	12.1x	BUY
INDIES JA	\$2.72	17.0x	14.1x	BUY
JBG JA	\$31.49	6.6x	13.1x	BUY
KEX JA	\$11.79	16.2x	16.2x	BUY
LASM JA	\$5.29	9.1x	13.1x	BUY
SOS JA	\$1.66	13.8x	15.5x	BUY
SVL JA	\$23.29	23.9x	13.4x	BUY
SALF JA	\$3.70	21.3x	13.1x	SELL

## Regional News

### Panama Presidential Contenders Downplay Gathering Economic Clouds

With Panama's business-friendly reputation bruised by a recent move to close a copper mine accounting for 5% of GDP, the country's next president will face unusually tough choices in trying to get its economy back on an even keel. However, while economists and even some politicians are urging the May 5 election's victor toward unpopular measures to boost depleted coffers - including a troubled state pension system - the five frontrunners are squarely focused on the spending side of the ledger. "It is increasingly common in campaigns worldwide to see candidates avoid touching on fiscal issues. No one wants to talk about taxes or spending since the electorate doesn't want to hear those messages," Citi analyst Esteban Tamayo told Reuters. Investors holding over \$33Bn in Panamanian bonds are watching the situation closely as are companies that have flocked to the country in recent years, lured by its relatively low taxes and laissez faire economic policies.

Fitch ratings recently downgraded Panama's debt to speculative grade, citing fiscal and governance pressures aggravated by the move to close First Quantum Minerals' giant copper mine following nationwide protests. If S&P or Moody's follows suit, Panama would become a so-called fallen angel, potentially sending its borrowing costs soaring as some funds would have to unload its debt. Both agencies told Reuters they will monitor the next government's first steps and investor confidence before acting. The Panama Canal's contribution to state coffers, meanwhile, is expected to fall 2.9% this year, mainly due to reduced traffic and capital reserves for future projects, according to a statement by its administration. S&P's associate director Karla Gonzalez told Reuters the agency recently incorporated the canal's dry spell as a downside risk.

Source ~ Reuters

### Brazil's Inflation Slows to 0.21% In Mid-April

In mid-April, Brazil's consumer prices showed a slight increase, albeit less than anticipated, according to data from the statistics agency IBGE released on Friday. The prices in Latin America's largest economy edged up by 0.21% from mid-March, falling short of the 0.29% growth forecasted by economists surveyed by Reuters. This brought the inflation rate for the previous 12 months to 3.77%, marking a slowdown

from 4.14% in the preceding 12 months and also below the expected 3.86% rise. This reading marked the first time since July of the previous year that the figure landed below 4%. With the recent devaluation of the Brazilian real and a more cautious stance from the monetary authority committee, analysts suggest a probable scenario of a 25 basis-point interest rate cut at the May meeting. Within sectors, the food and beverages group experienced the most significant price increase during the period, growing by 0.61%, contributing 0.13 percentage points to the total rise. Conversely, the transportation group saw disinflation, particularly as airfare prices dropped by 12.2%.

Source ~ Reuters

## International News

### Fed In Holding Pattern As Inflation Delays Approach To Soft Landing

Inflation showing no recent sign of slowing or narrowing in scope leaves U.S. Federal Reserve policymakers challenged this week over how to characterize their next steps even as the countdown to a contentious U.S. presidential election continues. The Fed is seen holding its benchmark interest rate steady at 5.25%-to-5.5% at its April 30-May 1 meeting, and a key judgment in the current policy statement - that inflation "remains elevated" - may have to remain in place after the pace of price increases accelerated over the first three months of the year after steadily slowing through 2023.

Details of the most recent price reports, moreover, showed high inflation lodged across a wide array of goods and services, something current voters on interest rate policy including Atlanta Fed President Raphael Bostic and Richmond Fed President Thomas Barkin have focused on as a reason to be wary of cutting interest rates. Data from March, for example, showed that more than half of the items in the personal consumption expenditures price index - used by the Fed to set its 2% inflation target - saw inflation of greater than 3%, well above the share common before the pandemic. "The Fed has simply run into a brick wall," Citi Global Chief Economist Nathan Sheets said after data released on Friday showed the PCE index increased at a 2.7% annual pace in March versus 2.5% in February, while the number stripped of volatile food and energy prices was 2.8%, matching February. "This is very strong data and it is not data that has given them any confidence they are meaningfully on their way to 2%...The Fed is simply going to have to

wait.”

Source ~ Reuters

### **Investors Brace for 5.0% Treasury Yields as US Inflation Worries Mount**

As U.S. inflation concerns escalate, some investors are bracing for the 10-year U.S. Treasury yield to surpass the 16-year high of 5% reached last October. Bond yields, which move inversely to prices, have risen in recent weeks as signs of persistent inflation diminish expectations for how deeply the Federal Reserve can cut interest rates without further stoking consumer prices. The yield on the benchmark 10-year note has climbed by 80 basis points this year, reaching 4.70%, a five-month high. Many investors anticipate further weakness in bonds. According to the latest BofA Global Research survey, global fund managers' fixed income allocations are at their lowest level since 2003. Bearish Treasury positioning among some hedge funds is at its peak for the year, as indicated by BofA data, even as other asset managers increase their bullish bets. The primary concern driving these trends is inflation. Don Ellenberger, senior portfolio manager at Federated Hermes, states, “It all boils down to one word: inflation. If the market doesn't see signs that inflation is contained, then there's no reason that yields won't keep pushing higher.” He has reduced his portfolio's interest rate sensitivity, wary that persistent inflation and a robust labour market could push yields as high as 5.25%. Further evidence of rising inflation came with data on Thursday, showing that the personal consumption expenditures (PCE) price index excluding food and energy rose significantly more than expected in the first quarter. Futures markets now indicate that investors expect the Fed to implement only 35 basis points in rate cuts this year, compared to over 150 points priced in at the beginning of 2024.

Source ~ Reuters

NCB Capital Markets Ltd (formerly Edward Gayle and Co.) established in 1968 is Jamaica's oldest stockbrokerage. The company became a part of the National Commercial Bank (NCB) Group in 1994 and a fully owned subsidiary in October 2002. In December 2002, the then Edward Gayle and Co. was merged with another NCB subsidiary, NCB Investments. The products distributed by this combined subsidiary cover the traditional money market product offerings (J\$ and US\$ Repos), primary dealer services, stock brokerage and investment advisory services. Edward Gayle was renamed NCB Capital Markets Ltd. in October 2003.

NCB Capital Markets Limited ("NCBCML") through its representative(s) has provided information to you on various financial products and services and investment opportunities for information and educational purposes only. While NCBCML has made every effort to ensure that the information provided to you is accurate and based on research and analysis that we have carried out or derived from sources that we believe to be accurate and reliable, NCBCML makes no representations or warranties about the accuracy, completeness or suitability for any purpose of the information published and will not be liable for any loss which you or anyone else may suffer in reliance on the information we have provided to you. This Report does not take into account the specific investment

objectives, financial situation or particular needs of any specific recipient and therefore this Report should not be regarded by recipients as a substitute for the exercise of their own judgment or for obtaining advice directly from one of our investment advisors.

#### Important Disclosures:

The views expressed in this report are the views of NCB Capital Markets Ltd at the date of this report.

In accordance with Section 39 (l) of the Securities Act of 1993, NCB Capital Markets Limited hereby states that it is a subsidiary of NCB Financial Group Limited and to that extent may be regarded as interested in the acquisition or disposal of the shares of NCB Financial Group Limited. However, the company acts in a proper and professional manner in making any recommendations regarding shares listed on the Jamaica Stock Exchange. Share prices may fluctuate and past performance is not necessarily a guarantee of future returns.