NCB CAPITAL MARKETS LIMITED

July 30, 2024

Market Guide

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"I make no attempt to forecast the market—my efforts are devoted to finding undervalued securities" - Warren Buffett

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Stock Market Olympics: EIM, Real Estate, and M&D Sectors Among the Medals

Welcome to the Stock Market Olympics, where the competition among sectors on the Jamaica Stock Exchange (JSE) is as fierce as ever. Over the last 5 calendar years, JSE Sectors displayed the financial strength, agility and endurance that we've come to expect from our Jamaican athletes striving for podium finishes at the 2024 Paris Olympics. While all the sectors competed valiantly for top honours, crowd favourites: Energy, Materials and Industrial (EMI) and Real Estate sectors were most dominant, while financial sector stocks among others stumbled out of the blocks. Today, we'll delve into their 5-year[1] performances across three key dimensions: earnings growth, dividend payments and growth in market capitalization (market cap). Get your pot covers and vuvuzelas ready and let's see which sectors outperformed and who claimed gold, silver and bronze in this exciting contest!

Our first event is earnings growth[2], a critical metric for all sectors. It impacts companies' ability to pay dividends, reinvest in their operations and sustain growth over time. EMI, M&D and conglomerates sectors led the pack with EMI taking gold in a nail-biting finish, with earnings nearly doubling over the last five years (CAGR 19.3%[3]). This strong performance was driven by a late-race surge in 2023 from TransJamaican Highway (TJH) and steady increases from Caribbean Cement Company (CCC). TJH's earnings grew twelvefold (CAGR 65.4%) thanks to a post-pandemic revenue rebound and significant cost reductions following the acquisition of its subsidiary JIO in December 2022[4]. Likewise, Caribbean Cement's profitability improved over the last four years (CAGR 17.7%) driven by higher operating margins and reduced finance costs as the company paid down its debts. Following closely behind, M&D earned the silver, with a consistent earnings uptrend doubling their output over the last five years (CAGR 18.4%). This was driven by food M&D companies, which benefited from increased local and external demand, improved operational efficiency and positive GDP, wage and high levels of employment. Leading contributors included Wisynco, Seprod, and Lasco Manufacturing (LASM). Seprod's earnings grew by a CAGR of 28.1%, Wisynco's by 20.9%, and LASM's by 17.2%. Smaller players like Honey Bun also saw significant growth, with earnings increasing fifteen fold (CAGR 72.9%). Aided by a massive earnings jump from Jamaica Producers Group (JPG) in 2023, conglomerates secured the bronze, edging out real estate stocks. In 2023, JPG sold its operating businesses to Pan Jamaica Group (PJG) in exchange for a 34.5% interest in PJG, resulting in a substantial one-off gain of $13.29Bn[5]. Fuelled by these one-off gains, JPG's earnings grew at a CAGR of 76.5% to J$15.30Bn over 5 years. With JBG's contribution, total conglomerate earnings grew over 5 years at a CAGR of 18.3%, reaching a personal best of J$25.82Bn, a 106.9% YoY increase. Excluding JBG's one-off gains, the real estate stocks would have come third (CAGR

1 5-year refers to the 5 calendar year period between December 2018 and December 2024. This was done to achieve a standardised timeframe with consistent economic conditions, market trends, and industry-specific factors across all companies and sectors.

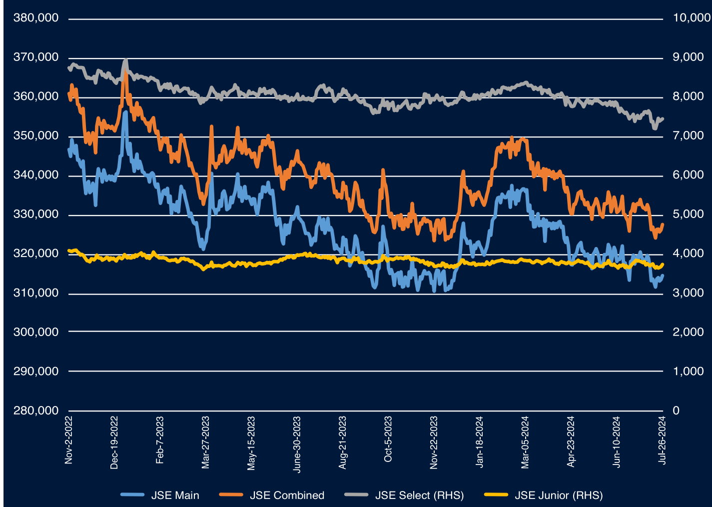
2 Earnings refers to Jamaican dollar net income to common shareholders. Earnings are based on the calendar year; not companies' financial years. Likewise all monetary values for dividend, market cap etc. are in JMD unless otherwise stated.

3 CAGR – Unless otherwise stated, the compound annual growth rate measures the mean annual growth rate of an investment over the last 5 calendar years.

4 The acquisition of Jamaica Infrastructure Operators (JIO) allowed TJH to modify fees which ultimately led to the elimination of direct and variable costs totalling $19.69Mn in FY2022.

5 Source: JPG 2023 Annual Report

WEEKLY MOVEMENT IN INDICES



MOVEMENT IN INDICES

JSE Indices	Closing Levels	WoW % Change	YTD % Change
Combined Index	327,489.18	1.08%	-3.44%
Main Market Index	314,466.93	0.95%	-3.45%
Select Index	7,437.03	3.51%	-8.41%
Junior Market Index	3,733.95	2.56%	-2.97%

WINNERS & LOSERS FOR THE WEEK ENDED JULY 26, 2024

	$ Change	% Change
ROC	+0.86	+39.45%
DOLLA	+$0.40	+16.81%
BRG	-$2.30	-35.51%
CAC	-$0.73	-24.83%

MARKET OVERVIEW

As the Olympics kicked off with much excitement around the world, the local stock market is also seemingly experiencing a wave of excitement as major JSE indices rallied last week. Trading activity resulted in a majority of the indices (7/9) advancing. The JSE Select Index had the largest week-over-week (WoW) appreciation, gaining 3.51%. The main drivers were NCB Financial Group Ltd (NCBFG; +5.91%) and a 1.86% uptick in GraceKennedy Ltd shares. Of the two declining indices, the Cross-listed had the more significant WoW fall, weighed down by a dip in the share prices of Eppley Caribbean Property Fund Ltd. SCC (CPFV) and Guardian Holdings Ltd. (GHL) of 7.51% and 3.64%, respectively. There was readily identifiable news to support the movement in these stock prices.

12.3%).

In our second event, we assessed total annual dividend payouts[6], a crucial component of total returns to investors. This saw Real Estate, EMI and Tourism stocks take the podium. Real estate companies took the gold with a sixfold increase in total annual dividends paid over the last five years (CAGR 45.1%). Key contributors included Kingston Properties Limited (KPREIT) and Eppley Caribbean Property Fund (CPFV). KPREIT saw a nearly ninefold increase in dividends (CAGR 54.8%), adhering to its policy of paying up to 90% of funds from operations (FFO) as dividends. Similarly, CPFV tripled its dividend payouts (CAGR 28.5%), in line with its strategy of distributing the majority of its FFO as quarterly dividends, with potential adjustments to increase interim payments. EMI stocks secured the silver, with dividends quadrupling over the period at CAGR 31.5%. Among them, TJH led the charge, with dividend payments increasing fourfold (CAGR 35.5%) in line with the robust growth in its earnings. Kingston Wharves (KW) was another consistent player, with dividends growing by 170% over the period (CAGR 35.1%). Caribbean Cement also made a notable comeback with two consecutive years of dividend payouts after a 17-year hiatus[7]. Tourism sector stocks earned the bronze, rebounding from pandemic lows to surpass pre-pandemic dividend highs (CAGR 11.83%). Dolphin Cove led the sector, doubling its dividends YoY in 2023, showcasing a strong recovery in the tourism sector post-pandemic. Tourism demand in Jamaica continues to be supported by positive consumer sentiment and the economic resilience of major trading partners, supportive government initiatives, and the country's attractive cultural and natural offerings.

In our final event, we examined market cap changes to see which sectors provided investors with the greatest capital gains over the 5 years. The Health/Tech sector sprinted to gold over the last 5 years

Last year's underperformers could become the next top performers, especially considering the anticipated interest rate cuts by the Bank of Jamaica and the U.S. Fed, which would favour stock market performance. By selecting stocks with strong fundamentals that operate in sectors poised for growth, patient/long-term investors can enhance their chances of benefitting from higher earnings, dividends, and capital appreciation.

(CAGR 40.1%). This growth was driven primarily by significant IPO activity over the last 5 years which added to the sector's total market capitalisation. 6 of the 12 companies included in the Health/Tech[8] sector went public between December 2018 and December 2023. Among these companies, Indies Pharma saw the most significant price appreciation increasing from an IPO price of $1.50 to $2.47 (+64.7%). Its capital appreciation reflects earnings growth (CAGR 8.0%) amid rising demand for essential pharmaceuticals like new orthopaedic and joint rehabilitation products. The real estate sector took the silver medal, with market cap growing at a 5-year CAGR of 36.5%. The real estate sector's performance was driven primarily by strong market cap appreciation from major player KPREIT (CAGR 22.7%) supported by an Additional Public Offer (APO) and share price appreciation from $6.00 to $7.80. Additionally, IPOs for CPFV in June 2019 and First Rock in January 2020 added a total of $8.37Bn to the sector's market cap. M&D stocks took the bronze (CAGR 20.77%) driven by significant gains from main market M&D companies like Seprod (CAGR 31.3%), Wisynco (CAGR 19.0%) and Jamaica Broilers Group (JBG; CAGR 10.4%) over the 5 years.

While some investor favourites were on the medal table for growth in earnings, dividend payouts or market cap (see Table 1), other sectors stumbled out of the blocks and missed out in all three events. Most notably, financial sector stocks struggled to gain momentum, with earnings fluctuating over the past five years, with a 5-year CAGR of just 0.7%. Market capitalization for the sector saw marginal growth[9] (CAGR 2.24%) as financial stocks' prices continued to be well off their peaks. The sector also dropped the baton on total dividend payouts with a CAGR of -8.7%, as most BOJ-regulated institutions faced restrictions on paying dividends at the height of the pandemic. That being said, financial sector earnings have rebounded over the last year, suggesting a more favourable outlook for the sector.

This year's Stock Market Olympics showcased outstanding sector performances, though some faced challenges. EMI and Real Estate Stocks emerged as the standout champions, securing medals for their impressive strides in earnings growth, dividend payouts, and market valuations. The Health/Tech sector earned a commendable second place, excelling in market cap growth, while the 3rd placed M&D sector also performed strongly, particularly in earnings and market cap increases. However, the financial sector, among others, encountered difficulties due to macroeconomic headwinds. Ultimately, the results of the stock market Olympics underscore the importance of diversification across sectors to offset losses and optimize portfolio returns. That said, last year's underperformers could become the next top performers, especially considering the anticipated interest

6 Total annual dividends to common shareholders are based on calendar year. Dividend payout shows the total cash dividends received, offering a clear measure of actual income, while dividend yield fluctuates with stock price and may not accurately reflect total income, especially when stock prices are volatile.

7 Carib Cement ended its 17-year dividend hiatus by paying a J$1.5032 dividend in August 2022, totalling J$1.28 billion, following a previous J$0.07 dividend in June 2005.

8 The Health/Tech sector is an NCBCM-curated composite of local small-cap health, Education technology and digital marketing stocks.

9 Despite APOs from JMMB Group, Barita Investment, Sygnus Credit Investments and Proven investment.

rate cuts by the Bank of Jamaica and the U.S. Fed, which would favour stock market performance. Therefore, by selecting stocks with strong fundamentals that operate in sectors poised for growth, patient/long-term investors can enhance their chances of benefitting from higher earnings, dividends, and capital appreciation.

Table 1: Stock Market Olympics Medal Tally

Final Medal Tally	Gold	Silver	Bronze
EMI	1	1	0
Real Estate	1	1	0
Health/Tech	1	0	0
M&D	0	1	1
Conglomerates	0	0	1
Tourism	0	0	1
Entertainment	0	0	0
Financial	0	0	0

Source: NCBCM Research

Foreign Exchange Market

At the close of the week ending July 26, 2024, it took 0.28% more Jamaican dollars to purchase one USD, as the local currency lost marginal ground in trading. The weighted average selling rate for US$1 was J$157.43 at the close of trading last Friday. This depreciation resulted from increased demand relative to the supply of the USD in the FX market.

Selling	Close: 19/07/24	Close: 26/07/24	Change
J$/US$1	$156.99	$157.43	+$0.44
J$/CDN$1	$123.49	$114.72	($8.77)
J$/GBP£1	$201.66	$202.03	+$0.37

Global Bond Prices

Last week, emerging market bond prices were mostly flat with slight price appreciation as investors continued to react to news that could influence the Federal Reserve's decision at its upcoming monetary policy meeting scheduled for September 18. The personal consumption expenditures (PCE) price index, which is the Federal Reserve's preferred gauge for measuring inflation increased moderately in June as the declining cost of goods tempered a rise in the cost of services, underscoring an improving inflation environment that could position the Federal Reserve to begin cutting interest rates in September. The PCE price index nudged up 0.1% last month after being unchanged in May, the Commerce Department's Bureau of Economic Analysis reported. Excluding the volatile food and energy components, the PCE price index rose 0.2% last month and 2.6% year over year, both in line with expectations. Against that background, according to the CME Fed Watch tool, 85.8% of traders now expect the US Federal Reserve to cut rates to 5.00–5.25 percent at its September 18, meeting up from the 57.9% recorded last month.

Additionally, data released last Thursday showed that the U.S. economy grew faster than expected in the second quarter amid solid gains in consumer spending. According to the Commerce Department, U.S. second quarter GDP increased at a 2.8% annualised rate last quarter. The report dispelled concerns that the economic expansion was in danger of an abrupt end, having been stoked by a lacklustre performance in the first quarter and in April.

Despite the solid economic growth pace, the outlook for the second half of the year is hazy. The labour market is slowing. The number of Americans filing new applications for unemployment benefits fell more than expected last week as distortions from the weather and temporary automobile plant closures faded. The key takeaway is that evidence of encouraging disinflation and a cooling labour market could boost the confidence of Fed officials that inflation is moving toward the U.S. central bank's 2% target.

As the markets continue to process the economic data in hopes of a September rate cut, the U.S. 10-year Treasury yield closed lower moving from 4.243% to 4.194% underpinned by the improving inflation landscape. Similarly, in the emerging market, the J.P. Morgan Emerging Market Bond Index (EMBI) prices saw an uptick of 0.26% to 876.16 on July 26th. Overall, investors will continue to listen intently for any clues on interest rate movements.

Bonds	Currency Rating	Indicative Price	Yield	Recommendation
ALSEA (7.75%) 2026	Ba3/Stable	106.00	5.01%	BUY
BACR (5.75%) 2026	BBB+/ Stable	104.50	3.49%	BUY
BERMUDA (3.72%) 2027	A2/Stable	102.00	4.26%	BUY
BERMUDA (4.75%) 2029	A2/Stable	100.25	3.61%	BUY
CHTR (4.20%) 2028	Ba2/Stable	99.25	4.43%	BUY
CWCLN (6.875%) 2027	BB-/Stable	101.00	6.51%	BUY
DOMREP (5.50%) 2029	BB/Stable	101.75	5.06%	BUY
DOMREP (5.95%) 2027	BB/Stable	104.00	4.22%	BUY
DOMREP (6.00%) 2033	BB/Stable	102.5.00	5.63%	BUY
DOMREP (6.00%) 2028	BB/Stable	104.00	4.87%	BUY
DOMREP (6.88%) 2026	BB/Stable	105.25	3.24%	BUY
DOMREP (8.63%) 2027	BB/Stable	107.75	5.51%	BUY
GS (5.798%) 2026	BBB/Stable	103.50	3.98%	BUY

Bonds	Currency Rating	Indicative Price	Yield	Recommendation
GS (3.85%) 2027	BBB/Stable	101.25	3.32%	BUY
GM (5.4%) 2029	Baa2/Stable	97.25	5.44%	BUY
JAMAN (7.63%) 2025N	BB-/Stable	105.50	1.68%	BUY
NFLX (5.88%) 2028	A/Stable	107.75	3.89%	BUY
NFLX (4.875%) 2030	A/Stable	102.50	4.39%	BUY
NRG (3.875) 2032	BB/Positive	92.00	5.17%	BUY
OPY (5.50%) 2025	Ba3/Stable	103.00	2.83%	BUY
PRIOBZ (6.13%) 2026	BB-/Stable	104.25	3.73%	BUY
PRMRPA(10.75%) 2028	B+/Positive	112.00	7.26%	BUY
PYPL (2.85%) 2029	A-/Stable	95.00	3.93%	BUY
SFC (5.30%) 2028	BB-/ Positive	99.75	5.37%	BUY
TPHLTT (9.00%) 2029	Ba3/Stable	108.5	6.96%	BUY
TRAJAM (5.75%) 2036	BB/Positive	93.25	6.56%	BUY
TRITOB (4.50%) 2026	Ba2/Stable	101.75	3.58%	BUY
WBD (4.054%) 2029	BBB-/Stable	95.75	5.14%	BUY
FRICON (7.70%) 2028	B+/Stable	66.75	20.33%	HOLD
BANORT (5.75%) 2031	Baa2/ Positive	95.50	1.83%	SELL
CSOLNO (6.00%) 2027	B+/Stable	13.50	233.37%	SELL
PEMEX (5.35%) 2028	B3/Negative	104.25	-2.10%	SELL
NFE (6.5%) 2026	BB-/Stable	103.50	-35.67%	SELL
NFE (6.75%) 2025	BB-/Stable	97.75	7.65%	SELL

GOJ Globals

Ticker	Maturity	Bid	Offer Yield*
JAMAN	2028	103.70	5.27%
	2039	117.90	6.05%
	2045	117.40	6.36%

*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	Coupn	Price	Yield
BDHR	2027	6.50%	100.35	8.02%
SJPC	2032	8.15%	104.95	7.99%
PBS	2025	8.85%	100.85	6.03%

Money Market

Last week, the JMD money market remained liquid. As of July 26, 2024, a total of J$60.52Bn was in the market, as represented by the aggregated current balances held by Deposit-Taking Institutions (DTIs). The aggregated closing current account balance increased by J$31.92Bn from J$28.60Bn on July 19th. This rise resulted from salaries due for payment. There were no BOJ interventions in the foreign exchange market via B-FXITT last week.

Demand for money market instruments remains high, evidenced by oversubscriptions of the BOJ auction on July 24, 2024. The BOJ's Fixed rate 30-day CD competitive price auction was oversubscribed; bids received totalled J$60.8Bn relative to the offer size of J$50.0Bn. This implied a bid-to-cover ratio of 1.22, relative to 1.46 for the week ending July 19th. This was primarily due to the larger offer size. The average yield from the BOJ's 30-day competitive price auction climbed to 9.47% relative to 9.40% in the prior week. The next auction date for the 30-day CD is July 31st.

As anticipated, the GOJ raised a total of J$5Bn by reopening its 2031 Benchmark Investment Note. The highest bid rate that was accepted for full allocation was 8.10%, with bids totaling J$18.2Bn compared to an offer size of J$5.0Bn. This resulted in an average auction yield of 8.00%, 4 bps above the weighted average yield in the previous auction, which took place in April 2024.

Dates to watch this week

International   Local

July-Aug 2024

MON 29	TUE 30	WED 31	THUR 01	FRI 02
		INDIES - Dividend Payment Date (J$0.11 per share)		US Unemployment Rate (Jul)
		US Fed Interest Rate Decision CAD GDP (MoM) (May)		

Recommendations

Ticker	Closing Price (July 29, 2024)	P/E	Avg. Sector P/E	Current Recommendation
CAR JA	$9.53	14.2x	13.41x	**BUY**
CPJ JA	$9.56	9.74x	13.41x	**BUY**
GK JA	$73.56	9.44x	15.80x	**BUY**
INDIES JA	$2.47	12.88x	12.50x	**BUY**
KEX JA	$10.82	14.82x	16.23x	**BUY**
KW JA	$28.00	12.60x	10.37x	**BUY**
LASM JA	$6.30	10.94x	13.41x	**BUY**
SOS JA	$1.67	13.99x	15.95x	**BUY**
SVL JA	$20.94	26.94x	14.84x	**BUY**
OMNI JA	$1.04	17.73x	16.23x	**BUY**
FTNA JA	$8.21	16.10x	15.95x	**BUY**
SALF JA	$3.70	19.17x	13.41x	**SELL**

Regional News

Inflation Set to Ease in Barbados in 2024 And 2025

Consumer price inflation (CPI) in Barbados will fall to an estimated average of 3.9% in 2024 and 3.0% in 2025, owing mainly to stabilising commodity prices says Fitch Solutions. This forecast is down significantly from average price growth of 5.0% in both 2022 and 2023. Slowing inflation will provide support to real household incomes, private consumption, and wider economic growth in Barbados. Real GDP growth is forecasted to grow by 3.1% in 2024 and 2.1% in 2025. That said, despite accelerating consumer spending, due to the impacts of a robust tourism sector and recovering real incomes, core inflation will be kept in check by government fiscal austerity efforts, in line with International Monetary Fund (IMF) loan conditions. However, risks to price growth are tilted to the upside, with the potential for any commodity-price driven shock to push up inflation and slow Barbados' economic recovery. As an island economy, Barbados imports 95% of its energy (mainly hydrocarbons) and around 85% of its food from abroad and is therefore highly exposed to the global rise in commodity prices.

Source ~ Fitch Solutions

IMF and IDB Agree on New Initiatives for Region

The Inter-American Development Bank (IDB) and the International Monetary Fund (IMF) said they have agreed to enhance their collaboration to better support the efforts of members in Latin America and the Caribbean (LAC) to foster sustainable and inclusive growth and address the structural challenges of climate change. The agencies said that by operating within the scope of each institution's mandate, the IDB and IMF staff will increase their cooperation in two main areas - general coordination and climate finance. The two Washington-based financial institutions said that as part of their enhanced general coordination, the IDB and the IMF staff will deepen their cooperation on four topics, namely: surveillance of macro-economic policies; IMF arrangements, in particular, the Resilience and Sustainability Fund (RSF); IDB lending operations, including investment and policy-based loans; and capacity development. The climate finance collaboration will focus on identifying policies to support member countries' climate objectives in the context of the RSF, capacity development to support the implementation of the RSF and building programmatic approaches to mobilise climate finance. By strengthening their collaboration in these areas, the IDB and the IMF are seeking to enhance their support for designing economic policies and policy reform programmes in common member countries, as well as mobilise climate finance more effectively. This includes working with country platforms to attract additional funding for climate action. In this context, climate finance roundtables recently convened in Barbados, Jamaica, and Costa Rica, brought together authorities, development partners, and private investors. These initiatives helped to explore solutions to the countries' climate finance needs and provided faster and broader access to financing and capacity development.

Source ~ Trinidad Express Newspapers

International News

US Economic Growth Regains Steam in Second Quarter; Inflation Slows

SThe U.S. economy grew faster than expected in the second quarter, but inflation subsided, leaving intact expectations of a September interest rate cut from the Federal Reserve. Gross domestic product increased at a 2.8% annualized rate last quarter, the Commerce Department's Bureau of Economic Analysis said in its advance estimate of second-quarter GDP on Thursday. Economists polled by Reuters had forecast GDP rising at a 2.0% rate. Estimates ranged from a 1.1% rate to a 3.4% pace. The economy grew at a 1.4% rate in the first quarter. The economy, which continues to outperform its global peers despite hefty rate hikes from the Fed in 2022 and 2023, remains supported by a resilient labor market even as the unemployment rate has risen to a 2-1/2-year high of 4.1%. The personal consumption expenditures (PCE) price index, excluding the volatile food and energy components, increased at a 2.9% rate after surging at a 3.7% pace in the first quarter, welcome news for U.S. central bank officials ahead of their two-day policy meeting next week. The Fed has maintained its benchmark overnight interest rate in the current 5.25%-5.50% range for the past year. It has hiked its policy rate by 525 basis points since 2022. Financial markets expect three rate cuts this year, starting in September. Despite the solid economic growth pace, the outlook for the second half of the year is hazy. The labour market is slowing, which will have an impact on wage gains.

Source ~ Reuters

Oil prices rise on fears of wider Middle East conflict after rocket strike in Golan Heights

Oil prices rose on Monday, paring last week's loss, on fears of a widening conflict in the Middle East following a rocket strike in the Israeli-occupied Golan Heights, which Israel and the United States blamed on Lebanese armed group Hezbollah. On Sunday, Israel's security cabinet authorised Prime Minister Benjamin Netanyahu's government to decide on the "manner and timing" of a response to the Saturday's rocket strike in the Golan Heights that killed 12 teenagers and children. "Worries over escalating tensions in the Middle East prompted fresh buying, but gains were limited by lingering concerns of weakening demand in China," said Toshitaka Tazawa, an analyst at Fujitomi Securities. Over the past few weeks, hopes of a ceasefire in Gaza have been gaining momentum. But Israel wants changes in a plan for a Gaza truce and the release of hostages by Hamas, complicating a deal to halt nine months of combat that have devastated the enclave, according to a Western official, a Palestinian and two Egyptian sources. On the demand side, data released earlier this month showing that China's total fuel oil imports dropped 11% in the first half of 2024 have raised concern about the wider demand outlook in China, the world's biggest crude importer. Meanwhile, U.S. energy firms last week added oil and natural gas rigs for a second week in a row, boosting the monthly count by the most since November 2022, energy services firm Baker Hughes (BKR.O), opens new tab said in its closely followed report on Friday.

Source ~ Reuters

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