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“Investing isn’t about beating others at their game. It’s about controlling yourself at your own game.” - Benjamin Graham

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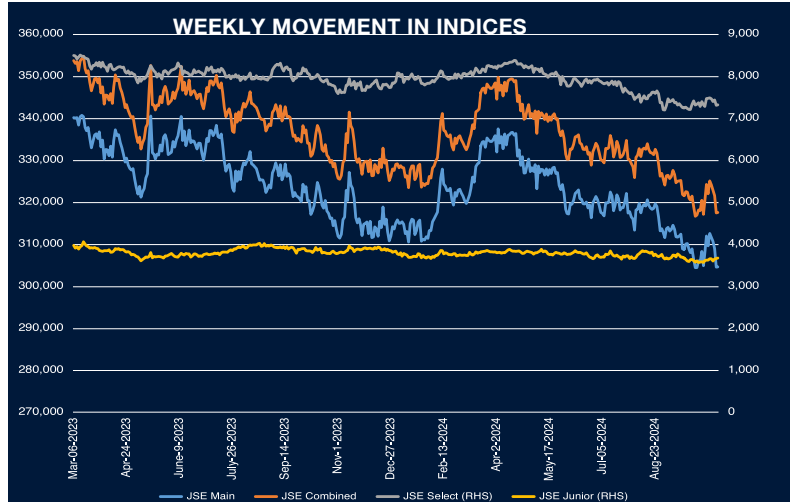
Earnings Review: EIM Sector Stocks Outshines Market Performance

With the summer behind us and as we reflect on the year-to-date stock market performance, the Energy, Industrial and Materials (EIM) sector¹ emerged as the standout performer, outshining other sectors and defying broader market trends. The sector recorded significant improvements across the board, with all companies: Caribbean Cement (CCC), Wigton WindFarm (WIG), TransJamaican Highway (TJH), Kingston Wharves (KW) and Berger Paints (BRG) experiencing notable year-to-date earnings growth². Robust revenue growth, increased demand and strategic initiatives were among the main drivers of the strong financial performances. However, despite the improvement in earnings, investors had a mixed reaction to the stocks, with only three (3) of the five (5) EIM companies being rewarded with stock price appreciation³. Against this background, what does the future hold for the EIM sector? What are the potential risks to the sector's growth momentum?

Stocks in the EIM sector had solid YTD financial performance, with several key companies reporting strong earnings increases driven by various strategic initiatives. Caribbean Cement and Berger Paints were standouts, as both delivered YTD net profit increases of 75.0% (\$1.83Bn) and 134.9% (\$165.78Mn), respectively, driven by higher revenues and lower cost of sales. Berger, in particular, made a remarkable turnaround, moving from a loss last year to solid profit this year due to sustained and accelerated revenue growth and a reduction in non-core costs in the nine months to

June. Similarly, Wigton Wind Farm also saw a significant 142.5% (or \$112.03Mn) increase in net profit due to a 24% increase in production and a strategic shift to diversify its revenues by exploring other renewable energy products and services. The company recently rebranded with a new trading name "Wigton Energy", signalling its shift away from solely wind power to a more comprehensive energy focus. TransJamaican Highway reported a 26.5% rise in net profits, driven by higher traffic volumes, toll adjustments, and cost efficiencies gained following the JIO⁴ acquisition. Kingston Wharves' earnings growth was, however, a bit more modest at 8.6%, driven by increased revenues from its specialized logistics and warehousing operations and port ancillary services, which benefited from recent capital investments and system improvements.

Despite the sector's earnings, the stock price movements of these companies tell a more mixed story, reflecting varied market sentiment. While three of the five companies WIG (+22.8%), TJH (+23.2%) and CCC (+10.0%) saw their YTD stock prices climb on the back of strong earnings and strategic expansions, KW (-3.7%) and BRG (-8.8%) experienced stock price declines. Liquidity on KWL and BRG could be a factor impacting their performance. Both stocks are closely held, leading to low liquidity and low trading activity. Overall, these mixed results suggest that, despite solid financial performance, liquidity constraints due to concentrated ownership and limited retail market interest continue to



MOVEMENT IN INDICES

JSE Indices	Closing Levels	WoW (%) Change	YTD % change
Combined Index	317,457.34	-2.32%	-6.40%
Main Market Index	304,502.89	-2.56%	-6.51%
Select Index	7,309.09	-2.22%	-9.99%
Junior Market Index	3,663.01	0.38%	-4.82%

WINNERS & LOSERS FOR THE WEEK ENDED SEPTEMBER 6, 2024

	\$ Change	% Change
RAWILL	+\$0.21	+29.17%
CHL	+\$2.34	+29.14%
RJR	-\$0.24	-18.75%
138SLVR	-\$21.24	-10.78%

MARKET OVERVIEW

Last week, overall stock market activity resulted in 126 stocks trading with 33 advancing, 76 declining and 17 trading firm. Market volume amounted to 320.90Mn units valued at J\$1.71Bn reflecting a 93.6% increase in volume and a 152.3% increase in value relative to the prior week. Omni Industries Limited (OMNI), Jamaica Producers Group (JPG), and Regency Petroleum Co. Limited (RPL) were the volume leaders with 189.71Mn (57.8%), 22.6Mn units (6.9%) and 18.6Mn units (5.66%) respectively.

With most stocks declining, last week's market performance rained on the prior week's parade, with 7 of 9 indices declining, effectively reversing most of the gains from the prior week when all 9 advanced. The largest WoW decliners were the JSE Cross-Listed Index (-4.04%) and the JSE Financial Index (-3.54%). For the Cross Listed Index, Guardian Holdings Limited (GHL; -2.71%) – the second largest constituent by market capitalization – was the sole decliner. For the Financial Index, GHL along with NCB Financial Group (NCBFG; -4.6%) and Pan Jamaica Group (PJAM; -8.6%) were major drivers of the decline. There was no news last week to support these movements. Between the two advancers, the JSE USD Equities Index saw the biggest appreciation driven by TransJamaican Highway (TJHUSD; +5.7%) - the second largest stock in the index by market capitalisation. TJH's increase coincides with the company's announcement to consider dividend payments to its ordinary shareholders. TJH is one of the highest dividend-paying companies on JSE, with a dividend yield of approximately 8.2%. The high dividend yield is likely to attract investors seeking cash flow, including those with a dividend capture strategy¹.

This week's decline suggests that despite the prior-week jolt, the Bank of Jamaica's (BOJ's) initial 25-basis point reduction is unlikely to create sustained momentum in the market in the short term. Last week, data from the PIOJ showed that the economy slowed markedly in Q2 (0.1%) losing significant growth momentum relative to Q1 (2.7%) and Q4 (1.9%) 2024. Further, expectations of an economic contraction in the July to September 2024 quarter could be adding to market uncertainty. Still, the BOJ does not foresee Jamaica falling into recession, which is defined as two consecutive quarters of economic contraction. With Jamaica expected to avoid a recession, the medium-term stock market outlook remains

1 A trading technique of buying a stock just before the dividend is paid, holding it just long enough to collect the dividend, then selling it.

1 The EIM sector is an NCBCM curated sector comprised of local Energy, Industrials and Materials stocks.

2 Excluded MPCCL- As at the date of this cover story, earnings for Q2 results were not published on JSE.

3 Stock Price as at September 6, 2024.

4 JIO - Jamaican Infrastructure Operator Limited

negatively impact price movements for KW and BRG.

The outlook for the EIM sector remains optimistic, with several key drivers, such as ongoing government investments in infrastructure, a shift towards renewable energy and the growing need for efficient logistics and supply chain solutions poised to support the earnings momentum. With robust growth in revenue and net profit across all companies, the sector could potentially be attractive to investors in the near term. However, to maintain this trajectory, companies will need to strategically leverage both market and government opportunities. In the medium to long term, the sector should benefit from the government's ongoing investments in infrastructure, energy and logistics. Furthermore, the shift in the BOJ's monetary policy could stimulate further economic activity by increasing disposable incomes and consumer spending, creating a ripple effect that could bolster demand for EIM sector products and services. Caribbean Cement, for instance, is expanding its production capacity by up to 30% to meet both local and export demand. While local construction growth may be subdued in the short term, the increased capacity could allow Caribbean Cement to capitalise on future infrastructure projects and potential rebounds in the construction industry. Similarly, TJH stands to benefit from its recent acquisition of Phase 1C⁵, which will add to its revenues and profitability. Additionally, as the economy and housing solutions along the highway grow, increased road traffic is expected to boost toll revenues for TJH. Likewise, Wigton's focus on renewable energy aligns with Jamaica's push towards a more sustainable energy future and reducing dependence on fossil fuels. However, while recent initiatives, such as the 49.83 MW GPE⁶ solar bid and joint venture agreements with IEC⁷ for solar installations at locations like Essex Valley and Sangster International

The outlook for the EIM sector remains optimistic, with several key drivers, such as ongoing government investments in infrastructure, a shift towards renewable energy and the growing need for efficient logistics and supply chain solutions poised to support the earnings momentum. With robust growth in revenue and net profit across all companies, the sector could potentially be attractive to investors in the near term.

Airport show promise, Wigton needs to accelerate execution to realize value. Meanwhile, Kingston Wharves continues to enhance its logistics and warehousing capabilities catering to the growing demands of the manufacturing and tourism industries. As global trade rebounds and with the growing need for efficient supply chain solutions, the company's US\$100Mn investments in infrastructure and technology over the next 5 years will help capture rising cargo volumes and support earnings growth. These developments highlight that the companies in the EIM sector is not only capitalising on current growth opportunities but are also positioning themselves for sustainable long-term performance.

Overall, the Energy, Industrial and Materials sector have shown notable resilience and growth year to date, as evidenced by strong financial performance across the board. While the outlook remains positive with anticipated continued growth, there are risks that could temper the sector's performance, affecting both earnings and stock prices. A potential slowdown in global growth, especially in the US and the deceleration in local economic growth could reduce overall demand for products and services, impacting revenues for EIM companies. Jamaica's economy, which expanded by 2.7% in Q4 2023 and 1.9% in Q1 2024, sharply slowed to 0.1% in Q2 2024. This

downturn is expected to result in a Q3 contraction of -0.1% to -1.0% due to the impact of Hurricane Beryl. Environmental risks, such as additional severe hurricanes, could further disrupt operations and supply chains for companies like Wigton, Kingston Wharves, and Berger. Despite this, monetary policy easing, evidenced by the BOJ's recent rate cut from 7% to 6.75%, and post-hurricane recovery efforts in key sectors could help mitigate some of these challenges. To maintain its strong performance, the sector must effectively navigate these potential challenges, adapt to shifting market conditions and seize new growth opportunities.

Global Bond Prices

Last week, the market digested the latest economic data including August's non-farm payrolls and weekly initial jobless claims. In August, nonfarm payrolls increased by 142,000, according to the Labor Department's report on Friday. This was lower than the expected increase of 161,000, while the unemployment rate remained at 4.2%, which was in line with the forecast. The report also indicated that private payrolls only grew by 99,000, well below the estimated 140,000. These numbers have raised concerns about a potential economic slowdown and a weakening labour market, especially following the weaker-than-expected jobs report in July.

On the Emerging Market front, Borrowers are shoring up their defences against volatility that could shake their biggest markets in the US and derail refinancing plans. In just the first five days of September, Emerging market issuers sold more bonds than at the outset of any previous September. Emerging market sovereigns and companies issued \$28Bn, 133% higher than the \$12Bn during the same period last year according to Bloomberg. Issuers are trying to get ahead of

⁵ Phase 1C- The newly completed leg of Highway 2000 East-West (28km between May Pen and Williamsfield).

⁶ GPE- Generation Procurement Entity

⁷ IEC- Innovative Energy Company Limited

the US presidential vote in November and another growth scare akin to Aug. 5 when panicked investors fled everything from emerging-country currencies to Japanese shares. It spurred the longest run-up in borrowing costs for emerging market sovereign borrowers in about six years, according to a JPMorgan index. For now, emerging market issuers are still enjoying some of the lowest yields in two years, at an average of 6.5%, according to a Bloomberg index for dollar-denominated government and corporate debt. Many have already filled their funding needs for the year, while investors are happy to oblige them before interest rate cuts reduce yields even more.

The market is anticipating a rate cut at the end of the US Fed's meeting on September 18th. According to the CME Group's FedWatch Tool, there's a 57% chance of a 25-basis-point cut and a 43% probability of a 50-basis-point cut. Investors will closely analyze economic data releases leading up to the meeting to gain insight into future Fed policy and interest rates.

Amid the new data, and continued concerns of a downturn, the 10-Year treasury yield declined from 3.909% on August 30th to 3.7160% on September 6th, 2024. Likewise, yields on emerging market sovereigns also slid with bonds from Bermuda, Costa Rica, DomRep, Jamaica and Panama seeing lower yields as their bond prices appreciated WoW.

Bonds	Current Rating	Indicative Price	Yield	Recommendation
ALSEA (7.75%) 2026	Ba3/Stable	105.50	5.13%	BUY
BACR (5.75%) 2026	A/Stable	104.75	3.26%	BUY
BERMUD (3.72%) 2027	A2/Stable	101.50	3.05%	BUY
BERMUD (4.75%) 2027	A2/Stable	103.75	3.82%	BUY
CHTR (4.2%) 2028	Ba2/Stable	100.75	3.97%	BUY
CWCLN (6.88%) 2027	BB-/Stable	102.25	6.04%	BUY
DOMREP (5.5%) 2029	BB/STABLE	104.00	4.50%	BUY
DOMREP (5.95%) 2027	BB/STABLE	104.75	3.83%	BUY
DOMREP (6%) 2028	BB/STABLE	105.75	4.36%	BUY
DOMREP (6%) 2033	BB/STABLE	105.00	5.26%	BUY
DOMREP (8.63%) 2027	BB/STABLE	108.5	5.09%	BUY
GEOPAR (5.5%) 2027	B+/Stable	98.25	6.31%	BUY
GM (5.4%) 2029	Baa2/Stable	99.75	5.18%	BUY
GS (3.85%) 2027	BBB/Stable	101.5	3.19%	BUY
GS (5.8%) 2026	BBB/Stable	103.8	3.71%	BUY

Bonds	Current Rating	Indicative Price	Yield	Recommendation
M (5.88%) 2030	BBB-/Stable	100.5	5.77%	BUY
NFLX (5.88%) 2028	A/Stable	109.50	3.41%	BUY
NRG (3.88%) 2032	BB/Positive	94.00	4.85%	BUY
OPY (5.5%) 2025	Ba3/Stable	102.50	3.06%	BUY
PRIOBZ (6.13%) 2026	BB-/Stable	103.75	3.87%	BUY
PRMRPA (10.75%) 2028	B+/Stable	111.75	7.25%	BUY
PYPL (2.85%) 2029	A-/Stable	96.75	3.56%	BUY
SFC (5.3%) 2028	BB-/POSITIVE	100.75	5.07%	BUY
TPHLTT (9%) 2029	Ba3/STABLE	108.50	6.93%	BUY
TRAJAM (5.75%) 2036	BB/Positive	95.25	6.31%	BUY
TRITOB (4.5%) 2026	BBB-/Stable	102.25	3.26%	BUY
BANORT (5.75%) 2031	Baa2/Positive	96.5	1.71%	SELL
CSOLNO (6%) 2027	B+/Stable	14.00	243.00%	SELL
NFE (6.5%) 2026	B+/Stable	85	15.42%	SELL
NFE (6.75%) 2025	B+/Stable	90.75	11.71%	SELL
NFE (6.5%) 2026	BB-/Stable	103.50	-396.53%	SELL

GOJ Globals

Ticker	Maturity	Bid	Offer Yield*
JAMAN	2028	105.25	4.62%
	2039	121.10	5.74%
	2045	120.90	6.09%

*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	6.50%	100.35	8.02%
SJPC	2032	8.15%	103.75	8.18%
PBS	2025	8.85%	100.85	6.03%

Foreign Exchange Market

The Jamaican dollar depreciated slightly by 0.21% relative to the USD, week-over-week, with the USD selling rate moving from J\$158.03 on August 30, 2024, to J\$158.37 on September 6, 2024. The depreciation was owed to high-end user demand despite an adequate supply of USD in the market stemming from the BFXITT operations conducted by the Bank of Jamaica (BOJ) last week.

Selling	Close: 08/30/24	Close: 09/06/24	Change
J\$/US\$1	\$158.48	\$158.03	-\$0.44
J\$/CDN\$1	\$116.78	\$115.84	-\$0.94
J\$/GBP£1	\$208.61	\$205.26	-\$3.35

Money Market

Last week, liquidity conditions in the JMD money market as measured by the aggregated current balances held by Deposit-Taking Institutions (DTIs) reversed the spike seen when the BOJ announced its first 25bps rate cut on August 20, 2024. The decline in liquidity was likely influenced by the BOJ's interruptions last week via its B-FXIT Flash Sale operations. B-FXIT Flash Sale Operations totalling US\$60Mn were done to combat the depreciation of the JMD against the USD in the prior week. Following these B-FXIT Flash sales, the aggregate current balance totalled J\$61.42Bn as of September 6, 2024. This represents a J\$29.23Bn (32.2%) decline in liquidity from J\$90.65Bn on the prior week and a \$60.74Bn (49.7%) drop from a peak of \$122.16Bn on August 23, 2024 – shortly after BOJ's 25bps rate cut.

However, demand for money market instruments remains robust, notwithstanding lower yields. The average yield from BOJ's competitive price auction continued its downward trend to 7.03% relative to 7.61% in the prior week, which widens the gap between April's peak of 11.90% to 4.87%. Despite the lower yield, the auction was oversubscribed, with bids received totalling J\$32.6Bn relative to the offer size of J\$7.0Bn at a 4.66x bid-to-offer ratio, which is higher than the 1.85x from the prior week. As the BOJ looks to continue easing its monetary policy by allowing greater market liquidity and cutting its policy rate more than the 25bps done thus far, CD yields are expected to continue to decline. The next auction will take place on the 11th of September 2024.

Dates to watch this week

■ International ■ Local

September 2024				
MON	TUE	WED	THUR	FRI
09	10	11	12	13
CCC Dividend Payment Date (J\$1.9655 per share)		SVL Dividend Payment (J\$0.1433)	US Initial Jobless Claims US PPI (MoM) (Aug)	AFS Dividend Payment (J\$0.12) EPLY Dividend Payment
		UK GDP (MoM) (Jul) US Core CPI (MoM) (Aug)		

Recommendations

Ticker	Closing Price (September 9, 2024)	P/E	Avg. Sector P/E	Current Recommendation
GK JA	73.89	9.2x	14.4x	BUY
INDIES JA	2.76	14.4x	16.0x	BUY
KEX JA	10.82	14.8x	15.3x	BUY
KW JA	25.93	11.6x	8.9x	BUY
SALF JA	3.50	15.2x	13.2x	SELL

Regional News

Brazil economists see rate hike amid stronger growth, ending 11-week stability streak

Brazilian economists surveyed weekly by the central bank have aligned their expectations with future interest rate pricing, now anticipating a rate hike at this month's monetary policy meeting following stronger-than-expected economic data. This shift ended an 11-week streak in which more than 100 professionals surveyed had maintained their median forecast for the benchmark interest rate, Selic, to remain at the current 10.5% level through year-end. The change came after Latin America's largest economy posted surprising growth in the second quarter, prompting a wave of upward revisions for this year's expansion. According to the central bank's survey, expectations now point to a 25 basis-point hike in each of the three remaining rate-setting meetings this year, with borrowing costs closing 2024 at 11.25%.

"This scenario underscores the market's concern about balancing economic growth with inflation control, and points to a higher interest rate environment to contain inflationary pressures," said Arnaldo Lima, economist and institutional relations chief at Polo Capital Management.

The survey also shows the tightening cycle extending into January, with an additional 25 basis-point increase pushing the Selic rate to 11.50% at the beginning of next year. Some institutions had already predicted since August that policymakers would begin a tightening cycle at the September 17-18 meeting, a scenario previously reflected in yield curve pricing, which currently shows a 90% probability of a 25 basis-point hike in the upcoming decision. Last week, the bank's economic policy director, Diogo Guillen, highlighted that policymakers had noted stronger economic growth since their latest meeting, with the exchange rate "a bit higher" and inflation expectations remaining broadly unchanged but de-anchored, a cause for concern at the central bank. The weekly survey also showed respondents raising their gross domestic product (GDP) forecasts for this year to 2.68%, up from 2.46% the previous week.

Source ~ Reuters

Mexico inflation seen easing in August after months accelerating: Reuters poll

Mexico's headline inflation rate likely eased in August after accelerating for the previous five months, a Reuters poll of analysts showed on Friday, boosting expectations that the Bank of Mexico will cut the benchmark interest

rate later this month. The median estimate from eight analysts forecast an annual headline inflation rate in August of 5.08%, down from July's level of 5.57% but still far from the central bank's target of 3.00%, plus or minus a percentage point.

The closely watched core inflation index, which excludes products with high volatility to better gauge price trends, is seen falling for the 19th straight month to 4.02%. In August alone, consumer prices were estimated to have increased by 0.09% compared to the previous month, with core prices up 0.24%, according to the Reuters poll. Annual headline inflation in Latin America's second-largest economy had surged in recent months to a one-year high in July, even as core inflation eased, complicating the central bank's effort to bring down borrowing costs. The bank's board cut its benchmark interest rate by 25 basis points in early August in a divided vote, with two of the bank's five governors expressing concern that lowering the rate prematurely could impact the bank's credibility. The Bank of Mexico's next monetary policy decision will be announced on Sept. 26.

Source ~ Reuters

International News

Tariffs tend to hit the poor harder, WTO says

Import tariffs tend to disproportionately hit low-income households, the World Trade Organization said in a report on Monday, countering what it sees as backlash against open markets and rising protectionism. WTO Director-General Ngozi Okonjo-Iweala said the 2024 World Trade Report reaffirmed trade's role in reducing poverty and sharing prosperity "contrary to the currently fashionable notion" that trade was creating a more unequal world. Globally, restrictive trade policies often have a disproportionate impact on low-income households, women and on smaller companies that may struggle with increased fixed costs of trade, the WTO report said. The United States is poised to hike tariffs on a range of Chinese imports, including a quadrupling of the rate for electric vehicles, while Canada has matched the U.S. EV rate and the European Union had introduced its own EV duties.

China has responded with investigations into EU dairy, pork and brandy imports and canola from Canada. U.S. presidential candidate Donald Trump has proposed a 10% tariff on all imports and a higher rate for those from China. The WTO report said that on the whole,

low-income households typically faced a greater burden from higher tariffs. In the United States, consumer goods from China that are now exempt from import tariffs are predominantly shipped to low-income regions, benefiting poorer households. Richer households consume a greater share of imports from high-income economies, the WTO report said.

Moreover, Protectionist policies may fail, the report said, because they often lead to higher domestic prices that reduce consumption. They may also lead to damaging retaliation by trading partners. Tariffs then prove politically hard to remove even when no protection for a sector is needed, locking in higher prices. The WTO report concludes that protectionism is not an effective path to inclusiveness, but an expensive way to protect specific jobs that can raise costs for other sectors and risk retaliation from disgruntled partners.

Source ~ Reuters

Oil steadies after week of heavy losses as storm approaches US Gulf Coast

Oil futures edged up on Monday as the risk of production disruptions from a potential hurricane approaching the U.S. Gulf Coast helped prices steady after last week's heavy losses. Brent crude was up 16 cents, or 0.23%, to \$71.22 a barrel at 1315 GMT while West Texas Intermediate crude futures were 19 cents, or 0.28%, higher at \$67.86. Brent prices had fallen in each of the past six trading sessions, shedding more than 11%, or nearly \$9 a barrel, to register the lowest closing price since December 2021 on Friday. Analysts said Monday's rebound was partly in response to a potential hurricane near the U.S. Gulf Coast, while Libyan supply disruption has also been supporting prices. Libya's NOC late last week declared force majeure on several crude cargoes loading from the Es Sider port, with oil production curtailed by a political standoff over the central bank and oil revenue, four trading sources with knowledge of the matter told Reuters. A weather system in the southwestern Gulf of Mexico is forecast to become a hurricane before it reaches the northwestern U.S. Gulf Coast, the U.S. National Hurricane Center said on Sunday. The U.S. Gulf Coast accounts for about 60% of U.S. refining capacity.

The OPEC+ oil producer group last week agreed to delay a planned output increase of 180,000 barrels per day for October by two months in reaction to tumbling crude prices. Trading houses Gunvor and Trafigura expect oil prices to range between \$60 and \$70 a barrel because of sluggish Chinese demand and persistent oversupply, executives told the APPEC conference in Singapore on Monday. Meanwhile, Morgan Stanley

cut its Brent price forecast for the fourth quarter to \$75 a barrel from \$80, adding that prices were likely to remain around that level unless demand weakened further. The weakness in Chinese demand is driven by an economic slowdown and growing shift towards lower-carbon fuels, said speakers at the APPEC energy industry event. Refining margins in Asia have slipped to their lowest seasonal levels since 2020. A decline in the jobless rate, however, could slow the pace at which the Federal Reserve cuts interest rates, analysts said. Lower interest rates typically increase oil demand by spurring economic growth.

Source ~ Reuters

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