

# ▶ Market Guide

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"The single greatest edge an investor can have is a long-term orientation." ~ Seth Klarman

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## Rate cuts and Beryl - Soft Landing Still Possible

Given their mandates to manage inflation, central banks like the US Fed and the Bank of Jamaica (BOJ) play a crucial role in steering economies toward stability and growth. When inflation is high, they use interest rates and other monetary policy tools to bring inflation down and maintain price stability. However, the challenge is knowing when to pivot from rate hikes to rate cuts before triggering a recession<sup>1</sup>— this difficult feat is known as a soft landing. According to Reuters, the US Fed has only achieved the feat thrice since 1965<sup>2</sup>, but seems on track to make it four times in 2024. The BOJ was on a similarly promising path to a soft landing until a steep slowdown in economic activity in Q2 2024 and Hurricane Beryl in Q3 2024 threw a spanner in the works, putting Jamaica's soft landing in jeopardy. In this article, we explore whether Jamaica can avoid a recession (achieve a soft landing), despite the disruptions brought by Hurricane Beryl.

Over the last two months, the US Fed and the BOJ have cut their benchmark rates in response to normalising inflation, though despite similar rationales, the Fed cut more aggressively. On September 18, 2024, the US Fed announced a 50 basis point (bps) cut to its policy rate as inflation showed signs of sustainable cooling. The 50 bps cut was implemented to maintain labour market strength and support moderate economic growth in the US while ensuring inflation moves sustainably towards the 2% inflation target. Despite concerns from economists that the aggressive rate cut could

signal an imminent recession in the US, the Fed's guidance said that the US economy remains resilient, with solid GDP growth, a cooling labour market that no longer fuels inflationary pressures, and robust consumer spending and investment. In contrast, the BOJ initiated its first rate cut earlier and by a smaller magnitude (25 bps) than the US Fed, notwithstanding more worrying economic signs in the PIOJ's preliminary Q2 economic data and the aftermath of Hurricane Beryl in Q3 2024. The BOJ's first rate cut coincided with appeals from the business community for lower interest rates to help mitigate the anticipated economic downturn following Hurricane Beryl. Beryl, the earliest Category 5 hurricane in recorded history, is anticipated to have a negative impact on Jamaica's economic growth—measured by % changes in real gross domestic product (GDP)—primarily due to contractions in the agricultural sector<sup>3</sup>. The farming parishes in central Jamaica bore the majority of the damage, but the tourism sector also suffered given the temporary halt in travel to the island according to the BOJ's MPC meeting notes.

With the BOJ's rate cut coinciding with Beryl's anticipated adverse shock to inflation and economic growth, and the sharp slowdown in the economy for Q2, the big question now is whether a soft landing is still on the cards. The BOJ's guidance suggests that a soft landing is possible, notwithstanding Beryl's impact, given its expectations that Jamaica's economy would avoid a recession. According to the BOJ, Hurricane Beryl's

<sup>1</sup> This analysis is based on technical recessions; i.e. two consecutive quarters of negative GDP growth. While this definition facilitates historical analysis, it has limitations. A country can avoid a technical recession despite having weak GDP, GDP is often volatile and give false recession signals. Moreover, revisions to GDP growth may distort the true pace of economic growth, prompting some experts to use alternative measures like GDP per capita or GDP excluding volatile sectors.

<sup>2</sup> Source: Reuters - in 1969, 1995, and 2000 | Accounts vary, with other research pointing to 3 to 5 soft landings by US Fed.

<sup>3</sup> PIOJ performance review of April - June 2024: Preliminary estimates indicate that the Agriculture and Fisheries sector incurred losses totalling \$10.0Bn (0.2% of GDP). For Context, Hurricane Ivan was estimated to cost \$35.93Bn (8% of the country's GDP at the time).

### WEEKLY MOVEMENT IN INDICES

JSE Indices	Closing Levels	WoW (%) Change	YTD % change
Combined Index	326,549.76	+2.44%	-3.72%
Main Market Index	312,986.31	+2.38%	-3.90%
Select Index	7,542.50	+2.67%	-7.11%
Junior Market Index	3,799.56	+3.10%	-1.27%

  

	\$ Change	% Change
138SLVR	+\$54.36	+37.58%
MPCCEL	+\$0.14	+24.54%
JMMBGL5.75C	-\$0.30	-15.00%
MEEG	-\$1.47	-11.35%

### MARKET OVERVIEW

For the second consecutive week, the majority of the local stock market indices advanced (7 of 9). Gains in the Junior Market Index and the All Jamaican Composite Index outpaced the other indices with the index rising 3.10% and 2.96%, respectively. The Junior Market appreciation was led by price appreciations in the 6th and 2nd most heavily weighted Junior Market stocks by market capitalisation—DOLLA Financial Services (+8.66%) and Fontana Ltd. (+5.13%). For the All Jamaican Composite, increases in large market capitalisation stocks including Sagicor Group Jamaica (3.17%), NCB Financial Group (1.99%), and Barita Investment (3.08%) contributed to the weekly gain. On the other hand, the USD Equities Index (-0.67%) and the Cross-Listed Index (-0.04%) declined WoW. The decline in the USD Equities Index was largely driven by a WoW decline in A.S. Bryden & Sons Holdings Limited USD (-10.04%), while a price decline in Massy Holding Ltd. (-2.31%) the largest market capitalisation stock for the Cross-Listed Index influenced the index's performance. There was no company-specific news for the named companies to support the price movements last week.

Last week's overall market activity resulted from trading in 126 stocks, of which 86 advanced, 33 declined, and 7 traded firm. Market volume amounted to 182.99Mn units valued at over J\$2.81Bn, reflecting a 30.9% decrease in volume and a 108.1% increase in value relative to the previous week. TransJamaican Highway Limited, NCB Financial Group Limited and Wigton Windfarm Limited were the volume leaders with 33.44Mn Units (18.20%), 29.89Mn Units (16.26%), and 20.59Mn Units (11.21%), respectively.

damage profile is deemed similar to Hurricane Ivan when it struck the island in September 2004—albeit Ivan caused considerably more damage than Beryl. Ivan's economic fallout was acute, with the most severe impact occurring in Q3 2004, as the economy contracted by 1.3% relative to the corresponding quarter in Q2 2004, with estimated damage to the agriculture sector totalling \$8.55Bn (approx. US\$138.82) at the time and \$39.70Bn in today's terms if adjusted for inflation. However, following the sharp decline in Q3, and an additional 0.8% decline for Q4 2024, the country's economy whipsawed between strong growth and minor contractions in the ensuing quarters. Similarly, on the balance of Beryl's fallout, which was less severe than Ivan's, the BOJ's monetary easing Jamaica can still avoid a technical recession and achieve a soft landing in 2024. However, avoiding a technical recession doesn't preclude slow economic growth or a rise in unemployment. A country can avoid a technical recession but still have weak GDP growth and rising unemployment. Therefore, Jamaica could by definition, achieve a soft landing and still experience sluggish growth and higher unemployment which, could still translate to weaker consumer demand, corporate earnings and stock market performance.

In assessing the likelihood of a soft landing, given the impact of hurricane Beryl, we looked at the impact of 9 hurricanes, tropical storms, and tropical depressions that hit Jamaica between Q1 2000 and Q3 2024 (See Table 1) on economic activity. In general, past hurricanes and storms induced acute economic declines, followed by several quarters of sustained economic growth. The economy only saw prolonged contraction once, in 2008 with Hurricane Charlie and avoided an outright technical recession 4 times. Notably, recessions were avoided whenever the estimated damage was less than US\$100Mn, even when the economy contracted

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before the hurricane/storm and often coincided with growth in agriculture, tourism and construction. Based on historical experience, Beryl's impact will likely feature an acute economic contraction before a rebound led by the agriculture, tourism and construction sectors. In the agriculture sector, the Government of Jamaica (GOJ) is likely to provide significant support through financial aid<sup>4</sup>. This will allow for rapid replanting and a faster recovery in production levels, as most of the damaged crops have quick turnaround times. Notably, the Ministry of Finance is expecting that agricultural production can fully recover within 6 to 18 months. For the tourism sector, while the hurricane disrupted arrivals, the main impact was on cancellations rather than a long-term decline. Tourism growth could reaccelerate from a notable slowdown in H1 2024 amid a favourable July 2024 revision to the US Embassy's January 2024 travel advisory coupled with continued efforts from public and private stakeholders to improve the tourism product and appeal to new and returning guests. Furthermore, with the US Fed signalling that the US economy<sup>5</sup> is still resilient, characterised by healthy inflation and employment trends and with policy rate cuts likely to stimulate further growth, Jamaica's Tourism sector is likely to rebound as the winter tourist season approaches. Our analysis of the historical patterns following the 9 hurricanes/storms shows that tourism often rebounds

quickly after a hurricane or violent storm, growing quarterly by 3.0% and 1.8% in the 2 ensuing quarters on average. Lastly, the construction sector has been reeling from the impact of high interest rates; however, the reported damage to public and private infrastructure is significant, prompting major post-hurricane repairs. Both public<sup>6</sup> and private sectors will likely ramp up expenditures for rebuilding, driving construction activity and economic growth.

Despite the economic disruptions caused by Hurricane Beryl and the recent economic slowdown induced by the BOJ's high interest rate policy, Jamaica still has a chance of avoiding a technical recession and achieving a soft landing along with the US. Recovery is expected to be led by growth in the agriculture, tourism and construction sectors with support from the GOJ and other key stakeholders. However, while history paints a favourable picture, it doesn't determine future outcomes—Jamaica could still face challenges like resurgent inflation, rising unemployment, or prolonged slow growth even if the country avoids a technical recession. Resurgent inflation could prompt the BOJ to pause rate cuts, while a continued slowdown in tourism, an extended economic contraction from Beryl or another violent storm hitting Jamaica before the end of the 2024 hurricane season could all weaken the chances of a soft landing. Still, if Jamaica achieves a 2024 soft landing coupled with healthy economic indicators like strong real GDP growth and healthy levels of unemployment, it would augur well for investor confidence. If the economy continues to grow and gives the BOJ room to continue reducing rates it would provide tailwinds for business activity, consumer confidence, corporate earnings growth and ultimately stock market performance.

<sup>4</sup> The GOJ plans to support agriculture post-Beryl by working closely with small chicken farmers to expedite their return to production. They have allocated \$60 million to assist these farmers in resuming operations and an additional \$26 million to repair their damaged chicken houses.

<sup>5</sup> The US is the key source market for tourist arrivals. A strong economy suggests greater wealth among Americans which should translate to greater arrival numbers and expenditures.

<sup>6</sup> Hurricane Beryl damaged 8,700 houses. The GOJ allocated J\$1 billion to the Ministry for the distribution of grants to individuals whose homes were damaged or destroyed. As of September 21, 2024, J\$260.5Mn has been distributed – Source: Office of the prime minister.

Table 1: Economic growth in ensuing quarters following a hurricane or violent storm

Quarter	Hurricane / Storm	Qo	Q+1	Q+2	Q+3	Q+4
2001-Q4	Iris	-1.4%	0.9%	0.4%	1.2%	0.4%
2004-Q3	Charley & Ivan	-1.3%	-0.8%	1.7%	-0.1%	0.9%
2005-Q3	Dennis	0.9%	-0.2%	1.0%	0.9%	1.6%
2005-Q4	Wilma	-0.2%	1.0%	0.9%	1.6%	0.7%
2007-Q3	Dean	-0.4%	-1.2%	0.8%	0.2%	-1.8%
2008-Q3	Gustav	-1.8%	-0.5%	-1.8%	-0.6%	0.3%
2012-Q4	Sandy	-0.5%	-0.2%	0.3%	1.1%	0.7%
2021-Q3	Grace & Elsa	0.8%	1.4%	0.7%	1.4%	2.0%
<b>Historical average</b>		<b>-0.5%</b>	<b>0.0%</b>	<b>0.5%</b>	<b>0.7%</b>	<b>0.6%</b>

Source: NCBCM Research and STATIN

## Global Bond Prices

Last week, the performance of emerging market bond prices were mixed as investors reacted to new economic data, including the Personal Consumption Expenditures (PCE), which came in lower than expected. According to the Commerce Department, the Fed's preferred inflation measure continued to show muted growth in August, providing more evidence that policymakers were on the right track with the recent interest-rate cuts. The core PCE price index—a widely watched metric that excludes food and energy costs—rose by 0.1% on a monthly basis in August. This marks a deceleration from monthly core readings of 0.2% in both June and July. The August pace was also lower than consensus calls pointing to 0.2% growth, but was largely in line with Fed Gov. Christopher Waller's expectation for a rate of 0.14%. On an annual basis, core PCE inflation measured 2.7% in August—marking a slight acceleration from July's 2.6% rate, but in line with economists' forecasts.

The August data suggest that Fed officials should be able to maintain focus on the maximum employment side of their mandate when they determine the magnitude of rate cuts at their November and December policy meetings. According to the latest summary of economic projections, officials expect to implement another two-quarter-percentage-point rate cuts by the end of the year. "The modest rise in consumer inflation in August on its own provides a strong reason for the Fed to continue easing the still-restrictive monetary policy stance," writes Kathy Bostjancic, Nationwide's chief economist. While Bostjancic isn't ruling out a bigger cut in November, she said the next few months of employment readings will be the "key determinant" in the pace of potential interest-rate cuts. The September jobs report, which will likely factor heavily into the Fed's calculations, will be published Oct. 4.

As the markets continued to process the economic data, both U.S. 10-year Treasury and Emerging Market (EM) Bonds had mixed reactions to the recent developments. The market has priced in aggressive rate cuts, resulting in a "bear steepener" where long-term yields are increasing faster than short-term yields. Consequently, the 10-year note yield rose ending the week at 3.751% up from 3.741% in the prior week. However, there was some volatility in EM bonds. The Jamaican bond

yields experienced variations as some increased and others decreased; except for the 2036 bond that held firm. In contrast, the Dominican Republic bond yields showed a uniform increase.

Bonds	Current Rating	Indicative Price	Yield	Recommendation
ALSEA (7.75%) 2026	Ba3/Stable	105.50	5.06%	BUY
BACR (5.75%) 2026	A/Stable	105.25	2.93%	BUY
BERMUD (3.72%) 2027	A2/Stable	102.00	2.81%	BUY
BERMUD (4.75%) 2027	A2/Stable	104.75	3.56%	BUY
CHTR (4.2%) 2028	Ba2/Stable	101.25	3.81%	BUY
CWCLN (6.88%) 2027	BB-/Stable	102.25	6.03%	BUY
DOMREP (5.5%) 2029	BB/Stable	104.50	4.36%	BUY
DOMREP (5.95%) 2027	BB/Stable	105.25	3.56%	BUY
DOMREP (6%) 2028	BB/Stable	106.25	4.20%	BUY
DOMREP (6%) 2033	BB/Stable	106.25	5.07%	BUY
DOMREP (8.63%) 2027	BB/Stable	108.75	4.92%	BUY
GEOPAR (5.5%) 2027	B+/Stable	98.25	6.33%	BUY
GM (5.4%) 2029	Baa2/Stable	101.50	5.02%	BUY
GS (3.85%) 2027	BBB/Stable	101.50	3.17%	BUY
GS (5.8%) 2026	BBB/Stable	103.80	3.65%	BUY
M (5.88%) 2030	BBB-/Stable	102.00	5.44%	BUY
NFLX (5.88%) 2028	A/Stable	110.50	3.13%	BUY
NRG (3.88%) 2032	BB/Positive	94.00	4.85%	BUY
PRIOBZ (6.13%) 2026	BB-/Stable	104.00	3.65%	BUY
PRMRPA (10.75%) 2028	B+/Stable	111.50	7.27%	BUY
PYPL (2.85%) 2029	A-/Stable	98.00	3.29%	BUY
SFC (5.3%) 2028	BB-/Positive	102.75	4.46%	BUY
TPHLTT (9%) 2029	Ba3/Stable	108.50	6.91%	BUY

Bonds	Current Rating	Indicative Price	Yield	Recommendation
TRAJAM (5.75%) 2036	BB/Positive	95.25	6.29%	BUY
TRITOB (4.5%) 2026	BBB-/Stable	102.25	3.08%	BUY
BANORT (5.75%) 2031	Baa2/Positive	96.75	1.68%	SELL
CSOLNO (6%) 2027	B+/Stable	14.25	250.97%	SELL
NFE (6.5%) 2026	B+/Stable	87.50	14.00%	SELL
NFE (6.75%) 2025	B+/Stable	87.50	13.91%	SELL

## GOJ Globals

Ticker	Maturity	Bid	Offer Yield*
JAMAN	2028	105.95	4.28%
	2039	123.2	5.53%
	2045	123.2	5.92%

\*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

For the week ending September 27 2024, the Jamaican dollar depreciated slightly (\$0.08) with the weighted average selling rate for US\$1 increasing to J\$158.72. This depreciation was primarily due to a cyclical low in the supply of USD. As a result, the Bank of Jamaica (BOJ) intervened in the market on September 23, 2024, selling US\$30Mn at an average rate of \$156.65. Although this intervention temporarily increased supply, it was still not enough to address the supply imbalance in the market. In the coming months, USD demand is expected to pick up as retailers start stocking up for the Christmas season, which could lead to further depreciation of the JMD.

Selling	Close: 09/20/24	Close: 09/27/24	Change
J\$/US\$1	\$158.64	\$158.72	+\$0.08
J\$/CDN\$1	\$116.94	\$117.94	+\$1.00
J\$/GBP£1	\$210.94	\$214.19	+\$3.25

## Money Market

In the money market, Jamaican dollar liquidity increased, as represented by the aggregated current balances held by deposit-taking institutions (DTIs). As at September 27th, a total of J\$58.08Bn was in the market, up 15.3% (or J\$7.69Bn) week-over-week (WoW) from J\$50.39Bn in the prior week resulting from salaries being paid. This marks the first week of increase following four consecutive weeks of decline and comes amidst the BOJ's intervention in the foreign exchange market via B-FXITT last week selling US\$30Mn, which removed JMD liquidity from the market. This marks the third straight week that the BOJ has intervened, selling a total of US\$140Mn, with US\$40Mn sold on Sept 12th, US\$30Mn and US\$40Mn sold on Sept 19 & 20, respectively, and an additional US\$30Mn sold on Sept 23. Therefore, while JMD market liquidity rose WoW, it is still down from J\$64.57Bn on Sept 11th, before the interventions, to J\$58.08bn on Sept 27th, a reduction of 11.2%.

Demand for money market instruments remains high, despite lower yields. The average yield from the BOJ's 30-day competitive price auction sustained its downward trend for the 9th consecutive week to 6.75%, which is 5 basis points lower than in the prior week. The highest bid for full allocation was 6.99%. The auction was oversubscribed, with bids totalling J\$49.3Bn relative to an offer size of J\$35.0Bn, resulting in a bid-to-offer ratio of 1.41x — slightly higher than the 1.38x seen the previous week, partly due to the lower offer size. The next auction date for the Bank of Jamaica 30-day CD is October 2nd.

The GOJ is expected to enter the market in early October based on its schedule for this fiscal year. We await their announcement about the instrument and offer volume.

## Dates to watch this week

■ International ■ Local

September-October 2024				
MON	TUE	WED	THUR	FRI
<b>30</b>	<b>01</b>	<b>02</b>	<b>03</b>	<b>04</b>
Quarterly GDP (STATIN) (Q2)	JPS 7% Pref. 'B' Dividend Payment Date (J\$0.035 per share)	ICREATE Annual General Meeting	US Initial Jobless Claims	US Unemployment (Sep)
UK GDP (QoQ) (YoY) (Q2)	JPS 5% Pref. 'C' Dividend Payment Date (J\$0.025 per share)			
	JPS 5% Pref. 'D' Dividend Payment Date (J\$0.025 per share)			
	JPS 6% Pref. 'E' Dividend Payment Date (J\$0.030 per share)			

## Recommendations

Ticker	Closing Price (September 30, 2024)	P/E	Avg. Sector P/E	Current Recommendation
GK JA	74.01	9.19x	14.48x	BUY
INDIES JA	3.18	20.15x	19.00x	BUY
KEX JA	10.29	16.60x	16.80x	BUY
KW JA	27.89	12.45x	9.28x	BUY
TJH JA	3.43	10.01x	9.28x	BUY
AFS	21.03	16.69x	13.69x	HOLD
SALF JA	3.41	14.83x	13.23x	SELL

# Regional News

## Barbados' Social Stability to Remain Robust In 2024 And 2025

The political backdrop in Barbados is expected to remain relatively favourable in 2024 and 2025 due to strong government and social stability according to Fitch Solutions. Part of this trend will reflect improving social stability as economic conditions for households continue to improve. Consumer price inflation fell to 4.2% year-over-year (YoY) in February (latest available data), down from 6.5% YoY in the year-earlier period, owing to stabilising food and energy prices. Fitch forecasts that inflation will fall to an average of 3.9% in 2024 and 3.0% in 2025, which will provide some support to real household disposable incomes and consumer confidence. Furthermore, Barbados' tourism sector will have another record year for arrivals in 2024, benefitting employment and wages in the sector (which indirectly employs around 20% of the workforce). Reflecting this trend, unemployment fell to 8.2% in the final quarter of 2023, the lowest level in four quarters. Against the backdrop of a gradual improvement in living standards, the already limited risks of strikes or protests in Barbados will decline in the months ahead. Of note, protests in Barbados are relatively rare and, when they happen, are normally peaceful. Given this backdrop, Barbados now holds a score of 26.1 (out of 100) in the Social Risk component of Fitch's Political Risk Index (a high score implies high risk). This is a slight improvement from a score of 26.3 in the previous quarter and compares more favourably to Jamaica (35.8) and Trinidad and Tobago (32.43).

Source ~ Fitch Solutions

## Bermuda's Economy Continues to Thrive

Bermuda's economy has demonstrated notable growth and resilience. During the first quarter of 2024 (Q1 2024), Bermuda's economy grew by an estimated 7.1%, adjusted for inflation, signifying strong expansion compared to the previous year. This economic growth resulted from increased household expenditure and a rise in the export of goods and services. Evidenced by both real and nominal GDP figures, such growth highlights the economy's resilience and the effectiveness of supportive government policies and prevailing market conditions, according to Bermuda's Minister of Economy and Labour, Jason Hayward. Consumer spending in Q1 2024 increased 1.2% year-over-year to US\$793.4Mn. This increase reflects modest yet positive growth in the total amount of money consumers spent on goods and services during the quarter. The increase

in consumer spending in Bermuda also demonstrates a positive economic environment, with growth in both service consumption and investment in durable goods likely due to higher employment incomes. Of note, employment income rose by 11% compared to 2023 levels. Notable increases in employment income were observed across various industries, including International Business (17.1%), Hotels & Restaurants (6.7%), Banking Insurance & Real Estate (8.2%), Public Administration & Defense (7.4%), and Transport and Communication (14.9%). Tourism, which is vital to Bermuda's economy, also showed growth in the first quarter of 2024. For Q1 2024, Bermuda welcomed 25,761 air visitors, an increase from 24,661 in 2023. Visitor's estimated expenditure also rose, reaching US\$52.6Mn, up from US\$48.7Mn the previous year. Overall, economic growth in Bermuda will continue to be driven by infrastructure projects, the construction sector, and its position as a global leader in the insurance and reinsurance sector along with steady tourism growth. Furthermore, inflation rates in the sovereign remain somewhat contained and should provide some tailwinds for personal consumption and by extension economic growth. Bermuda's economy is on track to grow about 3.0% in 2024 before slowing to 1% thereafter, somewhat in line with pre-pandemic growth performance, following an estimated increase of 4.0% in 2023 and 6.4% in 2022 (S&P).

Source ~ BerNews, S&P & NCBCM Research

# International News

## US Consumer Spending Resilient; Inflation Continues To Abate

U.S. consumer spending increased slightly less than expected in August, but that did little to change expectations that solid economic growth persisted in the third quarter, while the annual rise in prices was the smallest in just over 3-1/2 years. Strong growth expectations this quarter were underscored by other data from the Commerce Department on Friday showing the goods trade deficit narrowed by the most in nearly two years last month. That suggested trade would likely impose a modest drag on gross domestic product, which could be more than offset by a rise in inventories. Economists did not view the data as soft enough to compel the Federal Reserve to deliver another 50 basis points interest rate cut in November as hoped by investors, with an elevated saving rate and still-strong wage gains seen providing a firmer base for consumer spending in the months ahead. September's employment report next week could offer more clues

on the size of future reductions in borrowing costs. “The resilience of consumer spending and the stronger foundations strengthen our conviction that the near-term outlook for the economy remains bright,” said Michael Pearce, deputy chief U.S. economist at Oxford Economics. “That should eventually help drive a re-acceleration in the pace of hiring and help keep labor market conditions solid over the coming year or two. That is one factor that will help convince the Fed to slow the pace of rate cuts next year.”

Source ~ Reuters

### Low Weekly US Jobless Claims, Robust Corporate Profits Highlight Economy’s Resilience

The number of Americans filing new applications for unemployment benefits dropped to a four-month low last week, suggesting that the labour market remained fairly healthy. The upbeat outlook on the economy was underscored by other data on Thursday, showing corporate profits increased at a more robust pace than initially thought in the second quarter. Strong profit growth should help to underpin the labour market and investment. The economy’s resilience could make it harder for the Federal Reserve to deliver another 50-basis points interest rate cut in November, as some investors are hoping. Initial claims for state unemployment benefits dropped 4,000 last week to a seasonally adjusted 218,000 for the week ended Sept. 21, the lowest level since mid-May, the Labour Department said. Economists polled by Reuters had forecast 225,000 claims. Unadjusted claims decreased 5,957 to 180,878 last week. Though the labour market has lost momentum amid declining job openings and a step-down in hiring, layoffs have remained low. The continuing claims data covered the week during which the government surveyed households for September’s unemployment rate. Continuing claims fell between the August and September survey week. The jobless rate slipped to 4.2% in August after rising to 4.3% in July. The increase in the unemployment rate from 3.4% in April 2023 as a surge in immigration boosted labor supply has raised fears of rapid labor market deterioration. A separate report from the Commerce Department’s Bureau of Economic Analysis showed corporate profits, including inventory valuation and capital consumption adjustments, increased at a \$132.5 billion annualized rate in the second quarter. They were revised up from the \$57.6 billion pace estimated last month. The revision reflected a sharp upgrade to domestic profits of nonfinancial corporations, now estimated to have increased \$108.8Bn instead of \$29.2Bn. That could support business spending on equipment.

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.

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#### 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.