CAPITAL MARKETS LIMITED

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Market Guide

THIS ISSUE

"Successful investing is anticipating the anticipations of others"

- John Maynard Keynes

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Christmas Season and Remittance Flows

The Christmas season has arrived! Time to put up Christmas lights, drink sorrel, eat fruit cake, spend time with family, and give and receive gifts. Although we do not have chimneys for Santa Claus to climb down, or snow to build snowmen, in emerging economies like Jamaica, for adults and kids alike receiving remittances is better than a white Christmas. Although remittances are sent all year long, billions of dollars are sent around the world during the Christmas season, as migrants go above and beyond to provide for their families' holiday needs back home. Below, we will look at some Christmas-related facts about remittances in Jamaica to gain a better understanding of how it impacts our local economy.

In many countries, especially developing economies, remittances are key contributors to economic growth and development. The IMF estimates that in low-income nations, generally, remittances make up nearly 4% of the GDP, while Jamaica exceeds that at 22.2%[1] in 2020 and 16.2% in 2019. In both developed and developing countries, remittances flow through and have a positive effect on a variety of industries, including those that rely heavily on agriculture and manufacturing, such as food, and retail, as the recipients of remittances, often use them to meet their consumption needs. Remittances help to increase purchasing power, especially for the vulnerable, which is positive given the current high inflation environment. Locally, remittances have a seasonal pattern with sharp increases in inflows during the back-to-school (July to September), and major holiday periods, such as Easter in March/April, and Christmas in December. However, as a percentage, December tends to have the highest inflows compared to other months[2]. Consequently, remittance flows are expected to rise this Christmas season, which should help many low to middle-income citizens sustain their consumption levels amid elevated consumer prices.

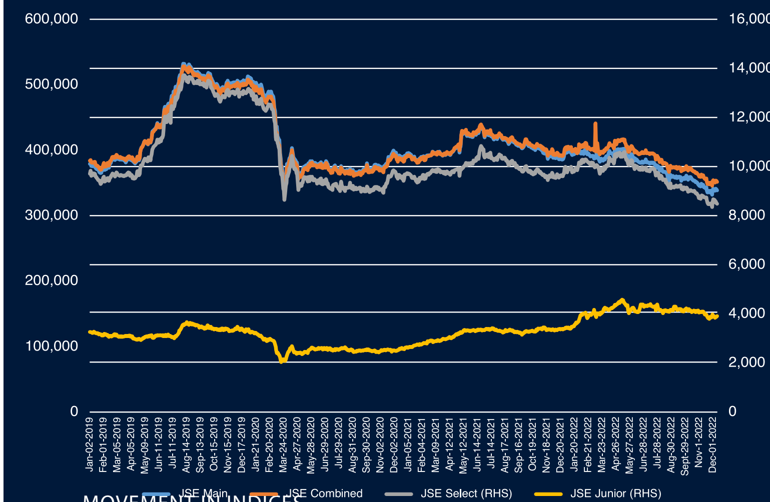
The data indicates that Jamaica is highly reliant on remittances. Personal remittances[3] as a percentage of GDP increased from 2.8% in 1976 to 22.2% in 2020, demonstrating our heavy dependence on remittances to support the economy. Remittance inflows in December account for between 9-10% of total remittance inflows, higher than any other month. The inflows tend to pass

1 World Bank

2 In 2021 December's remittances inflow accounted for 8.9% of total remittances for 2021 which tied for the highest with March and July.

3 Workers' remittances and compensation of employees comprise current transfers by migrant workers and wages and salaries earned by nonresident workers. Data are the sum of three items defined in the fifth edition of the IMF's Balance of Payments Manual: workers' remittances, compensation of employees, and migrants' transfers.

WEEKLY MOVEMENT IN INDICES



MOVEMENT IN INDICES

JSE Indices	Closing Levels	WoW % Change	YTD % Change
Combined Index	352,014.14	-0.30%	-12.2%
Main Market Index	338,788.73	-0.40%	-14.5%
Select Index	8,490.57	-1.92%	-14.1%
Junior Market Index	3,919.75	+0.58%	14.3%

WINNERS & LOSERS (FOR THE WEEK ENDED NOV 25, 2022)

	$ Change	% Change
138SLVR	+$12.53	+27.2%
CAC	+$1.34	+18.7%
EPLY7.50	-$1.23	-15.7%
EPLY	-$5.81	-15.3%

MARKET OVERVIEW

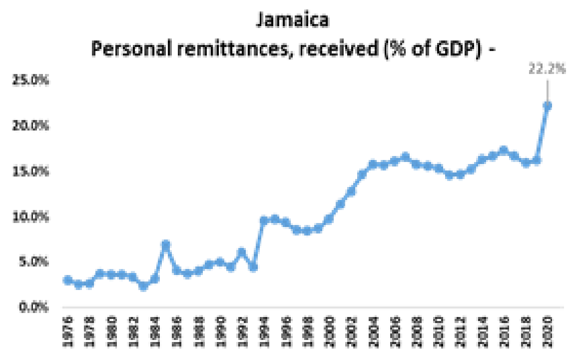
Last week, all major indices declined, except the JSE Junior Market Index (+0.58%), the JSE USD Equities Index (+0.21%) and the Cross-Listed Index (+3.67%), with the JSE Select Index and the JSE All Jamaican Composite Index posting the largest declines of 1.92% and 1.22%, respectively. The decline continues to reflect lower investor sentiments on the back of high global inflation and fears of an economic downturn. Overall market activity resulted from trading in 127 stocks of which 55 advanced, 60 declined and 12 traded firm. The main decliners on the stock level were EPLY7.50 (-15.7%) and EPLY (-15.3%). Overall the main advancer for the week ending December 9, 2022, was 138SLVR which gained $12.53 or 27.2% to close at $58.65. Behind was CAC, which gained $1.34 or 18.7% to close at $8.49. The changes in the stock prices are reflective of thin queues where small changes in volume lead to a more substantial change in prices.

through to numerous sectors and listed companies as the recipients do their Christmas spending. The season generally brings additional spending on entertainment and retail products and this is expected to be even more so this year given that this would be the first holiday since the COVID-19 pandemic without social distancing restrictions. This should boost the revenues and profits of publicly-listed companies' operating within these sectors. Entities that fall under the entertainment, retail, e-commerce, manufacturing and distribution sectors such as Main Event, Dolphin Cove, Knutsford Express Services, Fontana, Jamaica Broilers and Mailpac, will likely benefit from the release of pent of demand this holiday season.

While remittances will likely sustain previous trends, increasing in December relative to previous months, it is likely that on a year over year basis it will be lower as has been seen throughout 2022. This is due to a normalization from stimulus fueled remittances and the reopening of the borders, which allow persons to travel and make in-person transfers. Furthermore, higher inflation in source countries impacting migrants' purchasing power which negatively impact the amount of remittance they can send. In spite of this, remittances should still contribute positively to spending activity and hence consumption during the Christmas season. As we approach yuletide season, we anticipate that remittances will continue to be the gift that keeps on giving, especially for listed retail, entertainment, manufacturing and distribution companies.

Personal remittances as a percentage of GDP increased from 2.8% in 1976 to 22.2% in 2020, demonstrating our heavy dependence on remittances to support the economy.

Figure 1



Source: World Bank

Foreign Exchange Market

The Jamaican dollar appreciated by 0.12% relative to the USD, week over week, with the USD selling rate moving from J$154.52 on December 2, 2022, to J$154.34 on December 9, 2022. This appreciation reflects price resistance from end users as they demand a lower price from sellers of USD.

Selling	Close: 2/12/22	Close: 9/12/22	Change
J$/US$1	$154.52	$154.34	-$0.18
J$/CDN$1	$115.39	$114.09	-$1.30
J$/GBP£1	$189.82	$189.02	-$0.80

Global Bond Prices

The Producer Price Index (PPI) in the United States for final demand increased 0.3% month-over-month (consensus +0.2%) following an upwardly revised 0.3% increase (from +0.2%) in October. The index for final demand, less foods and energy, increased 0.4% month-over-month (consensus +0.2%) following an upwardly revised 0.1% increase (from 0.0%) in October. On a year-over-year basis, the index for final demand was up 7.4%, versus 8.1% in October, and the index for final demand, less foods and energy, was up 6.2%, versus 6.8% in October. Considering the higher than expected PPI results, the key takeaway is that it will pique concerns about whether or not this week's Consumer Price Index will be as friendly as expected, which in turn will keep the market on edge about the Fed's monetary policy path. Beyond that consideration, it is good nonetheless to see the year-over-year change in PPI and core PPI moving lower, although the current levels are still far too high.

Looking out to this week's policy decision (December 14, 2022), the Federal Open Market Committee (FOMC) has indicated a willingness to pivot from supersized rate hikes to smaller incremental increases. While this could lead to some ease in the fall off in bond prices, it is possible that this effect has already been priced into the market. Notably, given the still-elevated level of inflation, coupled with ongoing headline "strength" in the labour market, the Fed has indicated the peak level of the federal funds rate will be markedly higher than previously anticipated. Goldman Sachs forecasts that the peak in the federal funds rate will be 5-5.25%.

Bonds	Current Rating	Indicative Price	Yield	Recommendation
Sagicor Fin 2028 (5.30%)	BB-/ Stable	93.3	6.80%	BUY
TPHLTT 2029 (9.00%)	BB/ Stable	107.75	7.50%	BUY
MARFRIG 2026 (7.00%)	Ba2/ Positive	102.5	6.17%	BUY
BERMUD 2027 (3.72%)	A+/ Stable	98	4.25%	BUY

GOJ Globals

Ticker	Maturity	Bid	Offer Yield*
JAMAN	2028	106.25	5.39%
	2039	118.75	6.16%
	2045	116.0	6.51%

*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
GHL	2026	6.75%	105.00	6.47%
JBG	2028	6.75%	104.20	5.95%
Seprod	2024	7.25%	103.55	5.70%

Money Market

As at the December 8, a total of J$15.24Bn was in the market as represented by the BOJ's aggregated current balances. The aggregated closing current account balance declined by J$6.1Bn from J$21.3Bn on December 1st. JMD liquidity remains tight, leading to further high levels of competition for cash by market players. As a result, rates are expected to remain elevated. Market players were mainly square last week, with only overnight lending.

The USD money market remains stable and moderately liquid. Broker market demand for USD remains at 30-days and longer-tenured funds, with some brokers offering as high as 5.50% for one year to clients.

Dates to watch this week

International Local

December 2022

MON	TUE	WED	THUR	FRI
12	13	14	15	16
FTNA Dividend Payment ($0.10)	GB Unemployment Rate (Oct)	GB CPI (YoY) (Nov)	GB BoE Interest Rate Decision (Dec)	CPFV Dividend Payment (BDS 0.0015)
GB GDP (QoQ)	US CPI (YoY) (Nov)	US Fed Interest Rate Decision	CPI Release EPLY Dividend Payment ($0.052) GENAC Dividend Payment ($0.24298)	MASSY Dividend Payment (TT0.1268) SALF Dividend Payment ($0.060)
		CAR Dividend Payment ($0.19)	GK Dividend Payment ($0.58) PJAM Dividend Payment ($0.10) SVL Dividend Payment ($0.1454) ELITE Annual / Extra-Ordinary General Meeting	

Recommendations

Ticker	Closing Price (Dec. 12)	P/E	Avg. Sector P/E	Current Recommendation
WISYNCO	$16.95	14.5x	15.6x	BUY
LAB	$2.37	14.8x	23.8x	BUY
GK	$81.84	10.5x	10.0x	BUY
TROPICAL	$2.49	19.5x	16.1x	HOLD
ELITE	$2.91	18.1x	23.8x	BUY

Regional News

Chilean, Peruvian Central Banks To Refrain From Hiking Further In December (Fitch Solutions)

Fitch Solutions will closely monitor the decisions of the monetary policy committees of the Banco Central de Chile (BCC) and Banco Central de Reserva del Perú (BCRP). Both central banks are expected to refrain from hiking beyond their current rates of 11.25% and 7.25%, respectively, as headline inflation moderates and inflation expectations fall. However, Chile is the only market in the region where core inflation has also notably eased, from 11.1% y-o-y in September to 10.8% in October, underscoring Fitch's view that the 1,075 basis points (bps) worth of hikes the BCC has enacted since July 2021 are beginning to temper price pressures.

In addition, Fitch estimates a softening in the growth outlook for Chile with a contraction of 0.8% estimated in 2023 – reinforcing the view that the BCC will opt not to hike further, to prevent a deeper decline in activity. For Peru, Fitch expects that the BCRP will hold rates at 7.25% at its December 7 meeting, a twenty-one-year high. Notably, after hiking by 700bps since August 2021, one-year forward Inflation expectations have continued to tick down, reaching 4.8% in October. Consequently, as inflation expectations fall nearer to the BCRP's 1.0%-3.0% inflation target, Fitch expects the BCRP will refrain from hiking further and hold its interest rate at 7.25% through H1 2023.

Brazil Cuts 2023 GDP Growth Forecast As Global Economy Weakens (Reuters)

The World Bank's Board of Directors today approved a US$230Mn Development Policy Loan with a Catastrophe Deferred Drawdown Option (Cat-DDO) to support the Dominican Republic's disaster risk management efforts. Cat-DDO can be quickly disbursed to respond to a natural disaster or health-related event. The programme seeks to improve the government's capacity to strengthen disaster preparedness, response, and recovery, benefiting the Dominican population, especially the most vulnerable segments.

The Government of the Dominican Republic has called for major reforms to improve disaster risk management and climate change adaptation, with an emphasis on improving preparedness and planning with timely information, as well as on limiting the fiscal and economic impact of disasters on the most vulnerable households. This new World Bank Cat DDO loan, following the one that closed last year, reveals the urgency of these reforms. These reforms include the implementation of the first fiscal strategy for disaster risk management, strengthening of land use regulations to guarantee better planning, safer housing and construction, improved geospatial information (essential for risk assessment), and increased adoption of emergency mitigation and social protection measures.

Of note, The Dominican Republic ranked 32 out of 181 countries on the Bündnis Entwicklung Hilft Global Risk Index 2021. This high exposure to disaster risk can result in significant economic impacts. The occurrence of extreme weather events underscores the need for urgent measures to strengthen the country's resilience and adaptation in an inclusive manner.

International News

ECB's Makhlouf sees smaller interest rate hikes in 2023, if needed (Reuters)

U.S. logistic managers are bracing for delays in the delivery of goods from China in early January as a result of cancelled sailings of container ships and rollovers of exports by ocean carriers. Carriers have been executing an active capacity management strategy by announcing more blank sailings and suspending services to balance supply with demand. "The unrelenting decline in container freight rates from Asia, caused by a collapse in demand, is compelling ocean carriers to blank more sailings than ever before as vessel utilization hits new lows," said Joe Monaghan, CEO of Worldwide Logistics Group.

U.S. manufacturing orders in China are down 40 per cent, according to the latest CNBC Supply Chain Heat Map data. As a result of the decrease in orders, Worldwide Logistics tells CNBC it is expecting Chinese factories to shut down two weeks earlier than usual for the Chinese Lunar New Year — Chinese New Year's Eve falls on Jan. 21 next year. The seven days after the holiday are considered a national holiday. Supply chain research firm Project44 told CNBC that after reaching record-breaking levels of trade during the pandemic lockdowns, vessel TEU (twenty-foot equivalent unit) volume from China to the U.S. has significantly pulled back since the end of summer 2022 — including a decline of 21% in total vessel container volume between August and November. HLS analysts are predicting a further 2.5% decline in container volumes and a nearly 5-6% increase in capacity in 2023, which will continue to negatively impact freight rates in 2023.

Bank of England Set To Raise Rates To 3.5% After Inflation Hits 41-Year High (Reuters)

The Bank of England looks set to raise interest rates to 3.5% or more next week, but policymakers appear increasingly split on how much tightening is needed to tame double-digit inflation as the economy heads into recession. Financial markets currently price in a 78% chance that the BoE will raise rates by half a percentage point to 3.5% on Dec. 15, and a 22% chance of a rise to 3.75%. The market is currently expecting BoE rates to peak at 4.75% by the middle of next year, while HSBC expects the BoE to stop at 3.75% in February and Investec predicts a peak of 4%.

The central bank's immediate concern is British consumer price inflation, which hit 11.1% in October, the highest reading since 1981 and more than five times the BoE's 2% target, up from 4.2% a year earlier. While much of the increase has been driven by higher energy prices following Russia's invasion of Ukraine, the BoE fears labour shortages and other bottlenecks caused by the COVID-19 pandemic and Brexit could make inflation slow to fall. On Nov. 3, the BoE estimated Britain had entered a recession that would last until the end of next year and shrink output by 1.7% - a bigger drop than more recent forecasts, and one which partly reflects elevated market rate expectations at the time the forecasts were made.

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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