CAPITAL MARKETS LIMITED

Market Guide

August 18, 2026

THIS ISSUE

“Rule No. 1: Never lose money. Rule No. 2: Never forget rule No. 1.” — Warren Buffett

Annya Walker, CFA
VP Strategy Research
Innovation & Projects
(876) 935-2716
Walkerad@jncb.com

Thea Christian, CBCA, FMVA, CMSA
Senior Research Analyst
Howardta@jncb.com

Jamie Muir, FMVA
Research Analyst
Muirja@jncb.com

Shanelle Messam-Hutchinson, FMVA
Research Analyst
Messamhutchinsonsj@jncb.com

Raju Gunnings, FMVA
Senior Research Analyst
Gunningsrr@jncb.com

Shereese Bailey, CBCA CMSA, FMVA
Senior Research Analyst
Baileysd@jncb.com

Sean-Isaac Watson, CMSA
Research Analyst
Watsonsn@jncb.com

NCB Capital Markets Ltd. | NCB Capital Markets (Barbados) Ltd.
NCB Capital Markets (Cayman) Ltd. | NCB Merchant Bank (Trinidad & Tobago) Ltd.

June 2026 Results Are Rolling In: The Standouts So Far

Figure 1: JSE Report Card

Stock Market Preliminary Grades			
Institution: Jamaica Stock Exchange			
			2026 June Results Territory: Jamaica
Company	**Sector**	**Grade**	**Profiles**
CAR	M&D	I	Earnings Growth (A), Earnings Consistency A), Margin Expansion (A), Revenue Growth (B)
CCC	EMI	I	Earnings Growth (A), Earnings Consistency A), Margin Expansion (A), Revenue Growth (A)
DOLLA	Financial	I	Earnings Growth (A), Earnings Consistency A), Margin Expansion (A), Revenue Growth (A)
JSE	Financial	I	Earnings Growth (A), Earnings Consistency(A), Margin Expansion (A), Revenue Growth (A)
LASD	M&D	I	Earnings Growth (A), Earnings Consistency A), Margin Expansion (A), Revenue Growth (A)
QWI	Financial	I	Earnings Growth (A), Earnings Consistency A), Margin Expansion (A), Revenue Growth (A)
SOS	M&D	I	Earnings Growth (A), Earnings Consistency A), Margin Expansion (A), Revenue Growth (B)
TJH	EMI	I	Earnings Growth (A), Earnings Consistency A), Margin Expansion (B), Revenue Growth (A)

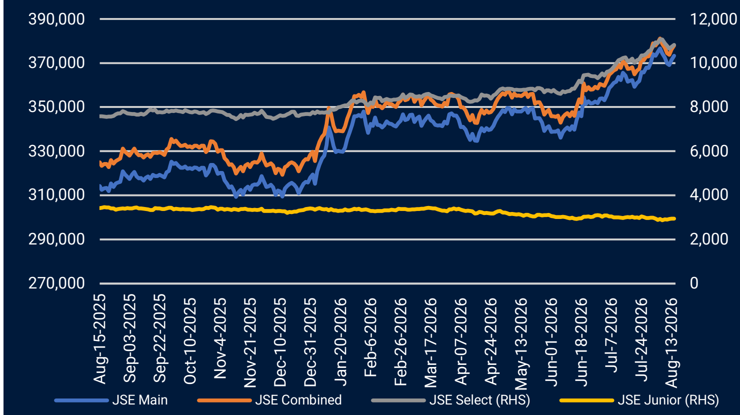
After sitting their Caribbean Secondary Education Certificate (CSEC) exams between May and June, thousands of Caribbean students have spent weeks waiting for results. The wait comes to an end today (August 18th), as students, parents and teachers finally get to see whether the months of studying, preparation and hard work have paid off. On the Jamaica Stock Exchange (JSE), investors are facing a similar prospect, as companies release their results for the June 2026 quarter. Just as students wait to see whether they earned a Grade I, II or III, investors are reviewing the numbers to see which companies had earnings distinctions, which performed below expectations, and which may need a resit. In this week's story, we zone in on companies that have released June 2026 earnings as at August 14, 2026, and discuss the standout performers. Our grading criteria will consider revenue growth, margin expansion, earnings growth and earnings consistency[1].

Despite lingering challenges from Hurricane Melissa, geopolitical uncertainty, the resulting inflationary pressures and elevated borrowing costs, some local stocks have displayed solid June quarter performances. Aggregate earnings rose 40.0% to $29.44Bn among the 57 companies that have released quarterly earnings thus far, supported by a 5.0% increase in revenues and slower growth in operating expenses. 15 of those stocks delivered a Grade I performance, recording strong growth of more than 10% across at least three of the four grading criteria, while showing, at worst, moderate performance >5% in the remaining category. However, just as top CSEC performers tend to be clustered amongst traditional high schools, the June quarter's Grade I performers are concentrated among Traditional sectors like Manufacturing and Distribution (M&D), Energy Materials and Industrial (EMI) stocks and Financial Services (FS) – See Figure 1.

Within the M&D sector, several companies clocked Grade I performances, including Carreras (CAR), Lasco Distributors (LASD) and Stationery & Office Supplies (SOS). All three companies grew revenues, margins and earnings, building on positive earnings in June 2025 (earnings consistency). CAR's earnings increased 15.3% to J$1.95Bn, supported by a 4.6% increase in revenue following a strategic portfolio-wide price increase that helped offset lower sales volumes. Higher revenue, combined with tight cost controls and relatively flat operating expenses, supported the improvement in margins from 41.5% to 45.4%. LASD also had good results, with earnings jumping 45.4% to J$441.95Bn. Revenue rose 16.1%, driven by higher seasonal temperatures that boosted beverage demand, as well as stronger distribution partnerships in healthcare and export markets. The

[1] Here, earnings consistency refers to reporting positive earnings in both the June 2025 and June 2026 quarters.

WEEKLY MOVEMENT IN INDICES



MOVEMENT IN INDICES

JSE Indices	Closing Levels	Week over Week (%)	YTD % change
Combined Index	377,971.04	-0.17%	15.08%
Main Market Index	373,255.17	-0.30%	17.38%
Select Index	10,829.20	-2.18%	41.09%
Junior Market Index	2,937.84	2.16%	-13.63%

WINNERS & LOSERS FOR THE WEEK ENDED AUGUST 14, 2026

	$ Change	% Change
1GS	$0.13	50.0%
JFP	$0.17	46.0%
JPS9.5	-$330.00	-15.0%
MTL	-$0.01	-14.5%

MARKET OVERVIEW

Last week, the market, as measured by the JSE Combined Index, declined by 0.2%. Despite the slight index decline, market breadth was positive as advancing stocks significantly outnumbered decliners (67 vs. 51). Trading activity increased during the period, with total market volume rising from 153.27Mn units valued at $1.21Bn to 175.91Mn units valued at over J$1.35Bn. Trading was more concentrated, with the top three volume leaders accounting for 50.6% of total market volume, up from 41.3% the previous week. TransJamaican Highway Limited (TJH) led with 56.26Mn units (31.2%), followed by AMG Packaging & Paper Company Limited with 25.03Mn units (13.9%) and Woodcats International Limited with 9.93Mn units (5.5%).

Performance across major indices was mixed, with five (5) indices declining and four (4) advancing. The most notable decliner was the JSE Select Index (-2.2%). The Select Index was pulled down by NCB Financial Group (NCBFG: -5.1%), TransJamaican Highway (TJH: -4.8%), and Carreras Limited (CAR: -4.0%). Despite these price declines, recently released financial results and dividend announcements could support a potential bounce back. NCBFG reported a consolidated net profit of $8.23Bn for the third quarter ended June 30, 2026. Moreover, while 9M net profit attributable to stockholders was down 30% due to a one-off gain in the prior year, core profit attributable to stockholders, which excludes one-off items, rose 38%. Management highlighted a shift toward more predictable, recurring earnings, and the Board declared an interim dividend of $0.50 per share. Meanwhile, TJH delivered robust Q2 2026 results, with net profit rising 33.4% to US$11.63Mn, supported by traffic growth and Phase 1C contributions. Management is positioning for sustained long-term growth through higher traffic and t-Tag penetration, while pursuing new highway concessions and operating opportunities. CAR also reported positive results for the June quarter, with net profit expanding 15.3% to $1.94Bn. Earnings were also supported by operating revenue increasing 4.6% to $12.69Bn and improved cost containment, with direct costs down 3.4% and admin expenses marginally up by 0.5%. CAR declared an interim dividend of $0.41 per share on August 13th, which is 20.6% higher than the $0.34 paid at the same time last year.

In contrast, the JSE Junior Market Index emerged as the week's strongest performer, advancing 2.2% after declining 3.4% in the prior week. Gains were driven primarily by Dolla Financial Services Limited (DOLLA: +15.4%). DOLLA's share price appreciation followed the completion of the J$700Mn Evolve loan portfolio acquisition, alongside the release of its Q2 results on August 12th, which showed net profit increased by 28.3% to $169.20Mn.

company's Earnings Before Interest and Taxes (EBIT) margin also widened from 5.0% to 6.4%, as revenue growth of 16.1% and gross profit growth of 22.4% outpaced the 8.3% increase in operating expenses, a performance worthy of a distinction. Meanwhile, SOS recorded a 216.9% increase in earnings to J$68.72Mn. Although revenue growth was modest, improved pricing and service mix, together with tighter operating efficiency, resulted in stronger margins and significant earnings growth.

Stocks from the EMI sector also featured among the top performers, with Caribbean Cement Company (CCC) and TransJamaica Highway (TJH) leading the way. CCC earned a distinction, with earnings surging 396.4% to J$2.16Bn, driven by stronger operating performance and record cement volumes, on the back of strong reconstruction demand following Hurricane Melissa and the absence of significant maintenance costs. This translated into a sharp expansion in operating margin, from 5.4% in the corresponding quarter of 2025 to 37.3%. TJH, meanwhile, scored high marks for revenue growth, earnings growth and earnings consistency, buoyed by higher traffic volumes following the opening of Phase 1C. While its margin increase from 62.8% to 67.5% trailed other candidates on the distinction list, investors can still be pleased with a strong overall result, like a parent looking at their child's CSEC results.

The Financial sector brought a few surprises this quarter, with some of the usual top students missing from the top of the class. Instead, the Jamaica Stock Exchange Limited (JSE Ltd.) and QWI Investments Limited (QWI) emerged as the standout performers, both earning a Grade I. The JSE recorded a 190.8% increase in earnings, supported by higher revenue and significant efficiency gains. Revenue benefited from increased market activity, with all revenue categories improving, led by cess fees[2] and fee income. At the same time, total expenses fell 12.7% to J$531Mn, helping operating margin expand sharply from 7.9% to 27.2%. The combination of higher income and tighter cost control gave the JSE a strong set of marks across the grading profile. QWI also earned a distinction, with earnings jumping 263.7% to J$143.83Mn. The main driver was a 206.0% increase in operating income, reflecting significant investment gains. Its overseas portfolio generated a J$190Mn, or 22.4%, gain, while the local portfolio gained 2.4%. QWI also benefited from a 36.0% reduction in administrative expenses, further strengthening its earnings performance.

Aggregate earnings rose 40.0% to $29.44Bn among the 57 companies that have released quarterly earnings thus far, supported by a 5.0% increase in revenues and slower growth in operating expenses.

While some investors are celebrating like proud parents of top-performing students, others are disappointed with the results coming from their companies. For stocks that did not make the Grade I to Grade III range, the focus now shifts to how management adapts to the changing environment and positions the business for strong earnings performance in the quarters ahead. As of August 14th, two-thirds of the 57 stocks assessed recorded significant declines in profitability. Most notably, tourism-related companies are still reeling, as Hurricane Melissa's damage to critical infrastructure disrupted operations, slowed tourism arrivals and left some businesses with less time and resources to pass their June 2026 "exams". While the M&D sector features the most distinctions thus far, several continue to face headwinds as geopolitical tensions disrupt supply chains and make it more difficult for them to get the inputs they need to perform. For many financial companies, testing conditions were also tougher, especially as interest rates are still historically elevated amid inflation uncertainty.

Like CSEC results, however, one set of grades does not determine the entire academic journey. The real test for these companies will be how they respond, make adjustments and perform in the quarters ahead. Ultimately, the June-quarter result card is taking shape, but the final grade has yet to be written. The picture is also incomplete, with companies yet to file still capable of reshaping the June quarter's earnings story. Notwithstanding, for companies that have already reported, investors will be watching whether recent gains can be sustained and which are poised to improve their grades. An expected ramp-up of the post-Melissa reconstruction boom and associated influx of funding to the economy could be a major macroeconomic tailwind that supports EMI, M&D and FS stocks. Likewise, a gradual tourism recovery could support Tourism and tourism-dependent M&D stocks. However, this favourable outcome will need to overcome inflationary pressures that could squeeze margins, as well as continued rate pauses or a resumption of hikes by the Bank of Jamaica.

[2] A JSE cess fee is a mandatory transaction charge levied by the Jamaica Stock Exchange on the value of equity trades (applied to both the buying and selling sides of a transaction)

Foreign Exchange Market

Week-over-week, the Jamaican dollar appreciated relative to the USD, with the USD selling rate moving from J$159.56 on August 7, 2026, to J$158.30 on August 14, 2026. Demand for USD continued to be strong, prompting the BOJ to intervene in the market to augment supplies. The BOJ sold a total of US$80.0Mn on August 13 & 14. The sale increased the supply of USD, which translates to a stronger JMD, all else equal.

Selling	Close: 7/8/2026	Close: 14/8/2026	Change
J$/US$1	$159.56	$158.30	-$1.26
J$/CDN$1	$114.24	$114.51	$0.27
J$/GBP£1	$215.52	$214.84	-$0.68

Global Bond Market

Last week, the global bond market was shaped by weaker-than-expected United States (U.S.) labour market data, signs of cooling inflation, and mounting geopolitical tensions in the Middle East.

On the labour market front, the U.S. economy unexpectedly lost 23,000 jobs in July, a sharp contrast to the Dow Jones consensus forecast of an 83,000 gain. Despite the decline in payroll, the unemployment rate slipped slightly to 4.1% from 4.2%. This largely reflected a contraction in the labour force as participation rate fell to a five-year low of 61.4%, down from 61.5% in June. The surprise jobs loss raised fresh concerns about the health of the labour market and created a “conundrum” for the Federal Reserve (Fed) as it balances signs of economic cooling against sticky inflation. Additional economic data pointed toward a slowdown in consumer activity and contained price pressures. The Consumer Price Index (CPI) for July rose 0.1% month-over-month, matching expectations and bringing the annual rate down to 3.4%. Simultaneously, the Producer Price Index (PPI) was flat for the month, missing the expected 0.2% increase, while retail sales surprisingly fell by 0.6% in July. These readings suggest that pipeline pressures are not currently adding to consumer inflation risks and that higher interest rates are dampening consumer spending.

Investors also remained focused on mounting geopolitical tensions in the Middle East, including the U.S. naval blockade of Iranian ports, which officials indicated could continue “indefinitely,” alongside stalled negotiations regarding the Strait of Hormuz. These developments drove oil prices higher, with Brent crude rising to US$88.91 per barrel and U.S. West Texas Intermediate (WTI) reaching US$83.20.

The combination of weaker employment and contained inflation significantly tempered expectations for further Fed tightening. According to the CME FedWatch tool, markets are now assigning a 66.9% probability that the Fed will keep rates unchanged at 3.50%–3.75% in September, up from 55.6% a week prior. Analysts noted that the week's data “reduced the urgency” for rate hikes, although some policymakers remain divided given that inflation is still above the central bank’s 2% target.

Consequently, the 10-year U.S. Treasury yield ended the week at 4.697%, up from 4.651% the previous Friday. While yields initially fell following the soft jobs report, they trended higher late in the week as geopolitical risks outweighed the immediate impact of softer domestic economic data. As bond yields move inversely to prices, the increase reflected a market still grappling with the prospect of higher real yields despite signs of a cooling economy. Likewise, yields on emerging market (EM) bonds also increased on average as their prices retreated. Sovereign bonds issued by Costa Rica, the Bahamas and Jamaica were among those affected. Corporate bonds had a similar experience, with the FriCon 7.70% 2028 note declining by 5.0% and KinAir 6.75% 2036 down 0.6%.

	Currency Rating	Indicative Price	Yield	Recommendation
Abbot Lab (4.65%) 2036	A+/ Stable	99.00	4.78%	BUY
Airbnb (5.25%) 2036	BBB+/ Stable	101.75	5.02%	BUY
Amazon (4.55%) 2033	AA-/ Stable	100.00	4.55%	BUY
Amazon (4.65%) 2035	AA-/ Stable	98.75	4.82%	BUY
Amazon (4.875%) 2036	AA-/ Stable	99.75	4.91%	BUY
Bahamas (6.63%) 2033	BB-/ Stable	105.50	5.63%	BUY
Bahamas (8.25%) 2036	BB-/ Stable	115.50	6.13%	BUY
Bahamas (8.95%) 2032	BB-/ Stable	116.00	5.82%	BUY
Barbados (8.00%) 2035	B+/ Positive	110.50	6.42%	BUY
Blackstone (6.00%) 2032	BBB-/ Positive	102.00	5.57%	BUY
BLOCK INC (6.00%) 2032	BB+/ Positive	104.00	5.31%	BUY
DOMREP (5.5%) 2029	Ba2/ Stable	103.00	4.22%	BUY
DOMREP (5.75%) 2034	Ba2/ Stable	100.75	5.63%	BUY
DOMREP (5.88%) 2035	Ba2/ Stable	101.00	5.73%	BUY
DOMREP (6.15%) 2038	Ba2/ Stable	101.50	5.97%	BUY
DOMREP (6.95%) 2037	Ba2/ Stable	107.50	5.98%	BUY
DOMREP (6.00%) 2033	Ba2/ Stable	103.00	5.45%	BUY
GEOPARK (8.75%) 2030	B+/ Stable	106.50	6.61%	BUY
Goldman Sachs Private (5.875%) 2031	BBB-/ Stable	102.00	5.36%	BUY

	Currency Rating	Indicative Price	Yield	Recommendation
Jefferies (6.25%) 2036	BBB/ Stable	104.50	5.63%	**BUY**
Kingston Airport Revenue (6.75%) 2036	Ba3/ Negative	104.00	6.22%	**BUY**
Marex (6.41%) 2029	BBB-/ Positive	105.25	4.62%	**BUY**
MINERVA (4.38%) 2031	BB/ Stable	85.65	6.69%	**BUY**
MINERVA (7.50%) 2036 **(NEW)**[3]	BB/ Stable	98.75	7.68%	**BUY**
NCBFG (11.0%) 2030	B+/ Stable	108.49	7.23%	-
NETFLIX 5.25% 2036	A/ Stable	102.50	4.93%	**BUY**
NFLX 4.875% 15-Jun-2030	A2/ Positive	103.00	4.02%	**BUY**
NRG (3.88%) 2032	BB+/ Stable	95.00	4.93%	**BUY**
NRG (6%) 2033	BB+/ Stable	103.00	5.44%	**BUY**
NRG (6.125%) 2036	BB+/ Stable	102.50	5.78%	**BUY**
NRG (6.25%) 2034	BB+/ Stable	103.75	5.67%	**BUY**
Petro Rio (6.75%) 2030	BB-/ Positive	102.00	6.19%	**BUY**
TRANSJAM (5.75%) 2036	BB/ Positive	99.50	5.82%	**BUY**
Trinidad and Tobago (6.20%) 2038	BBB-/ Negative	102.00	5.96%	**BUY**
Trinidad and Tobago (6.50%) 2036	BBB-/ Negative	104.75	5.84%	**BUY**
TRNGEN 7.75% 16-Jun-2033	BB/ Stable	108.25	6.24%	**BUY**
BANORTE (5.75%) 2031	BB-/ Negative	103.00	5.08%	**SELL**
FRICON (7.7%) 2028	CC	11.90	192.82%	**SELL**

*Prices and yields are indicative. For further information on the recommendations outlined in this publication, including suitability considerations and detailed investment insights, clients are encouraged to contact their NCB Capital Markets Wealth Advisor. Your Wealth Advisor can provide personalised guidance aligned with your investment objectives, risk tolerance and portfolio strategy. Additionally, see Disclaimer on page 8.

GOJ Globals

Ticker	Maturity	Bid	Offer Yield*
JAMAN	2028	102.70	4.39%
	2036	116.00	6.25%
	2039	117.9	5.85%
	2045	117.3	6.30%

*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	Coupon	Price	Yield
BDHR	2027	8.15%	100.25	7.76%
SJPC	2032	8.85%	104.00	7.98%

Money Market

Liquidity in the JMD money market, as measured by the aggregated current balances held by Deposit-Taking Institutions (DTIs), fell last week. As at August 14, 2026, the total aggregate current balance was J$56.31Bn, compared to J$61.12Bn the previous week.

Demand for short-term Bank of Jamaica (BOJ) instruments remained healthy, albeit bid-to-offer ratios narrowed and yields increased marginally. The BOJ's 30-day Certificate of Deposit (CD) auction attracted J$33.41Bn in bids against an offer of J$26.0Bn. This resulted in a 1.28x bid-to-cover ratio, down from 2.09x in the previous auction. The lower ratio came as the BOJ increased the amount offered by 160.0% to J$26.00Bn. The average yield on the 30-day CD auction edged up to 5.46%, compared to 5.42% in the previous week. The next 30-day CD auction is scheduled for Wednesday, August 19, 2026. The BOJ also conducted a 14-day repurchase agreement (repo) auction, which received J$7.00Bn in eligible bids against an offer of J$3.50Bn. The auction's weighted average yield remained unchanged at 5.85%, while the bid-to-cover ratio also held steady at 2.00x. The next 14-day repo auction is scheduled for Monday, August 17th.

Lastly, the BOJ is scheduled to announce its next policy rate decision on Wednesday, August 19th. The central bank has held its policy rate at 5.50% for each of its last three meetings, and another rate hold is likely on the cards. Inflation data from the Statistical Institute of Jamaica (STATIN) and global inflationary pressures are expected to be key considerations. According to STATIN, local inflation accelerated in July. Monthly consumer prices are up 1.2%, pushing 12-month point-to-point (P2P) inflation to 7.5%. This breaches the bank's 4.0%-6.0% target range and reinforces the BOJ's warning that inflation would temporarily breach its ceiling. Inflation risks emanating from the Middle East conflict, a ramp-up of post-Melissa spending, taxi fare hikes, and extreme weather events like the Super El Niño also point to the likelihood of the policy rate remaining unchanged, as the BOJ takes a wait-and-see stance.

[3] **Issuer-** Minerva Luxembourg S.A. Industry-Agriculture **Type-** Senior Unsecured, Callable-No, **Coupon Rate**- 7.50%, **Coupon Payment**- Semi-annually, **Maturity** – April 22, 2036, Risk Profile – **Aggressive**

Dates to Watch This Week

International Local

August 2026

MON	TUE	WED	THUR	FRI
17	18	19	20	21
CPI July 2026 (STATIN) DCOVE Annual General Meeting	GHL X-Dividend Date	BOJ Policy Rate Decision	ASBH Dividend Payment	
CAD – CPI and Core CPI (Jul)		UK – CPI (Jul)		

Recommendations

Ticker	Closing Price (August 18, 2026)	P/E	Avg. Sector P/E	Current Recommendation
FESCO	$3.58	13.28x	15.57x	**BUY**
KW	$33.99	16.54x	18.72x	**BUY**
OMNI	$0.91	11.23x	28.83x	**BUY**
SVL	$17.51	22.75x	22.75x	**BUY**

Prices and yields are indicative. For further information on the recommendations outlined in this publication, including suitability considerations and detailed investment insights, clients are encouraged to contact their NCB Capital Markets Wealth Advisor. Your Wealth Advisor can provide personalised guidance aligned with your investment objectives, risk tolerance and portfolio strategy. Additionally, see the Disclaimer on page 8.

Unit Trusts

Fund	Fund Composition	Price/ NAV$	12 Month Growth Rate	YTD Growth Rate	Yield (Estimated Yearly Income)
NCB Capital Markets Limited (NCB CAPFUNDS)			NAV* As at August 17, 2026		
O Money Market Fund (M Fund)	F	16.9751	6.25%	4.39%	4.32%
O Income Optimizer Fund (*i*O Fund) ◊	F	15.6864	3.73%	1.83%	11.20%
☆Caribbean Equity Fund (E Fund) †	E	27.4514	3.16%	3.49%	8.35%
◊ Real Estate Fund (*r*E Fund) †	R, F	17.7267	18.13%	4.59%	4.11%
◊ Income Distribution (*Id*Fund) †	F	100.4288	0.00%	0.43%	0.53%
O USD Money Market Fund (*x*M Fund)	F	1.2582	3.11%	1.90%	1.02%

Key: O = Tax Free (special conditions apply) · ☆ = Tax Free · † = Sales commission/front end fee up to 2% · ◊ = Non-Diversified Unit Trust · F/E/R = Fixed Income, Equity, Real Estate

Regional News

Brazil Posts Modest Second-Quarter Growth, Central Bank Index Shows

Brazil's economy expanded just 0.2% in the second quarter from the previous three-month period, a central bank indicator showed on Monday, signalling a loss of momentum from the year's strong start, particularly in the all-important services sector. The IBC-Br economic activity index, viewed by markets as a proxy for gross domestic product, fell 0.6% in June from the previous month, also on a seasonally adjusted basis. Economists polled by Reuters had expected a 0.53% contraction. Brazil's official GDP data will be released by the statistics agency IBGE on September 1.

Latin America's largest economy grew 1.1% in the first quarter from the previous three months. Central bank data showed that the positive quarterly reading for the IBC-Br was driven mainly by industry, which expanded 0.5% from the previous quarter. Agriculture rose 0.3%, while services, the backbone of Brazil's economy, shrank 0.1%.

The second-quarter slowdown had been widely expected. The Finance Ministry has said it anticipated softer growth as the effects of government support measures faded following a series of credit-boosting initiatives announced by leftist President Luiz Inacio Lula da Silva ahead of his October re-election bid. Restrictive borrowing costs have also weighed on economic activity. Although Brazil's central bank began an easing cycle in March, interest rates remain among the highest in real terms globally, at 14%, as policymakers seek to bring inflation, which stood at 4.44% in the 12 months through July, back to the official 3% target.

Source ~ Reuters

How Will Latin America's Super El Niño Affect the Top Food-Exporting Region?

Latin America is bracing for what experts say could be the strongest El Niño on record, raising questions about how the climate phenomenon will affect the world's top food-exporting region. El Niño, characterised by unusually warm sea surface temperatures in the central and eastern tropical Pacific Ocean, disrupts weather patterns worldwide. In Latin America, it typically brings heavier rainfall to the south while increasing drought risks further north, affecting agriculture, energy production, trade routes and the environment

An unusually wet Southern Hemisphere winter, disruptions to Pacific marine ecosystems and dry conditions are already affecting parts of the Caribbean and the Amazon. Researchers expect the phenomenon to strengthen from September and potentially exceed the intensity of the 2015-16 El Niño, the strongest in modern records. In Argentina's fertile Pampas, Paraguay, Uruguay and southern Brazil, El Niño usually brings above-normal rainfall. Despite concerns over a strong or "super" El Niño, analysts said more water is generally good for crops. Germán Heinzenknecht, a meteorologist at Argentina's Applied Climatology Consultancy, said that, as in previous cycles, El Niño could boost soybeans, corn and wheat harvests by providing soil moisture for planting and improving water availability during the December to February summer.

A stronger El Niño could also mean some rural areas will flood, though these will mostly be lands geographically prone to such events, Heinzenknecht added. Muddy or flooded roads can prevent South American farmers from accessing fields, complicating efforts to apply fertilisers and chemicals to protect yields, he said. Many of the rural roads, crisscrossing the region's southern agricultural heartlands, are already in poor condition. Heavy rains from September could also cause floods in cities and transport routes to ports, prompting Paraguay's government to put military units on alert and mobilise civilian engineering teams in July. Peru's northern coast faces flooding while the highlands suffer from water scarcity, a pattern likely to be repeated in Chile and elsewhere on the Pacific coast, according to the United Nations Food and Agriculture Organisation.

An uneven El Niño-driven rainfall could reshape South America's energy and trade flows, boosting Argentine natural-gas exports as drought hits parts of Brazil while heavier rains support hydropower, but worsening dry conditions threaten Amazon waterways, agriculture, and Panama Canal shipping.

Source ~ Reuters

International News

Global Bond Markets Put Governments on Notice Over Fiscal, Inflation Risks

Long-term borrowing costs in the U.S., Germany and Japan hit multi-decade highs on Tuesday, as rising debt, geopolitics and inflation concerns lifted costs for governments, companies and households. Bond markets are entering a more uncertain era, with investors demanding higher returns as U.S. President Donald Trump's tariffs and war policies unsettle the global economic order. Developed-market debt is rising toward increasingly unsustainable levels, with U.S. federal debt nearing $40 trillion, while the war in Iran is pushing up oil prices and inflation and weighing on growth.

At the same time, heavy borrowing by technology companies to fund artificial intelligence infrastructure is competing with demand for government bonds. Together, those pressures suggest the post-financial-crisis era of low rates and subdued inflation may be over, said Kjersti Haugland, chief economist at DNB Carnegie. "It coincides with the very high level of government debt in many countries, particularly Japan, the U.S., France and the UK," she said. U.S. 30-year Treasury yields hit their highest since 2007 as oil climbed back above $90 and fading U.S.-Iran peace hopes fed inflation worries. In Japan, inflation angst and expectations that Japan could hike interest rates as early as September pushed 10-year borrowing costs to a three-decade high just under 3%. In Europe, Germany's 10-year Bund yield reached its highest since 2011, French yields hit their highest since 2008 and Britain's 30-year borrowing costs neared levels last seen in 1998.

Rising yields hit other assets, with major stock markets such as Nasdaq and Europe's STOXX 600 in the red on Tuesday. The selloff matters because sovereign debt anchors wider borrowing costs, from corporate loans to household mortgages. Analysts said selling has been intensified by AI-related demand for capital, widening budget deficits and concerns over Federal Reserve communication under new Chair Kevin Warsh.

For some investors, higher yields reflect concern about debt sustainability and policy uncertainty more than inflation alone. The New York Fed estimates the extra compensation investors demand to hold 10-year U.S. debt is near a 12-year high at about 80 basis points. U.S. 10-year Treasury yields, around 4.73%, are nearing the 5% level that has previously drawn official attention. Foreign holdings of U.S. Treasuries fell in June, led by Japan, the UK and China, Treasury Department data showed. Recent Treasury auctions also drew attention, with 10-year notes and 30-year bonds clearing at their highest yields in 19 and 25 years, respectively. Rising tariff refunds have added pressure to U.S. public finances after the Supreme Court struck down Trump's emergency tariffs.

Source ~ Reuters

Trump Says No Talks Planned with Iran, Tehran Says Strait Of Hormuz Still Shut

U.S. President Donald Trump said no talks with Iran were taking place or scheduled, while insisting the Strait of Hormuz was open, contradicting Tehran's claim that the key waterway remained shut.

Fading hopes for a deal pushed oil prices higher, pressured stocks and lifted borrowing costs across major economies amid concerns over inflation and fiscal strain. A temporary ceasefire expired Monday, and a senior Iranian official said Tehran was moving to a "fully offensive" posture, though no fresh strikes were reported Tuesday. "There are no talks or conversations going on, or scheduled, with the Islamic Republic of Iran," Trump said in a post on Truth Social on Tuesday. "The Naval Blockade remains in full force and effect. The Hormuz Strait is open and operating. All water mines have been removed or detonated," he added.

But shipping data showed Hormuz crossings remained in single digits Monday. The United Kingdom Maritime Trade Operations said a vessel was struck by an unknown projectile in the strait, damaging its engine room and causing a crew casualty. Iranian negotiator Mohammad Baqer Qalibaf said the strait would stay shut until Washington met the terms of a June interim deal. Those terms include lifting the blockade of Iranian ports, ending oil sanctions, releasing frozen assets and stopping military threats and operations, he told parliament.

The June 17 memorandum set a 60-day window for a broader agreement on Iran's nuclear programme and U.S. sanctions. That deadline expired Monday, and Trump said he had no plans to extend it. The agreement quickly unravelled over control of the Strait of Hormuz, a narrow route that carried about a fifth of global oil and liquefied natural gas before the war. Iranian leaders are concerned that further economic pressure could deepen hardship, reignite unrest and erode the government's legitimacy, three Iranian officials said. Thousands have been killed in the conflict, mainly in Iran and Lebanon, while Iran has struck U.S. military bases and infrastructure across the region.

Brent crude has surged during the conflict, peaking at $126 a barrel before settling Tuesday just above $91. For Americans who will vote in November congressional elections, gasoline prices have risen above $4 per gallon, up from less than $3 before the war, according to the automotive group AAA.

Source ~ Reuters

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