Market Guide

September 7, 2026

THIS ISSUE

"To achieve satisfactory investment results is easier than most people realise; to achieve superior results is harder than it looks." - Benjamin Graham

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

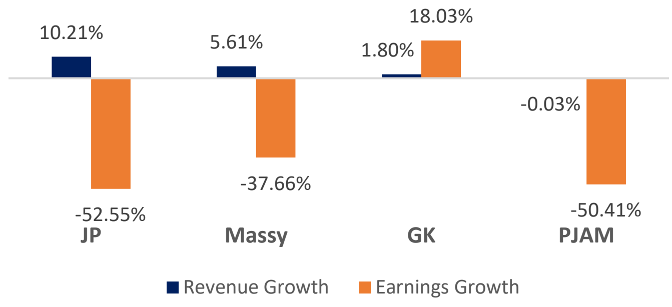
Shereese Bailey, CBCA CMSA, FMVA
Senior Research Analyst
Baileysd@jncb.com

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.

Conglomerates Experience Topline Growth, but Face Earnings Test

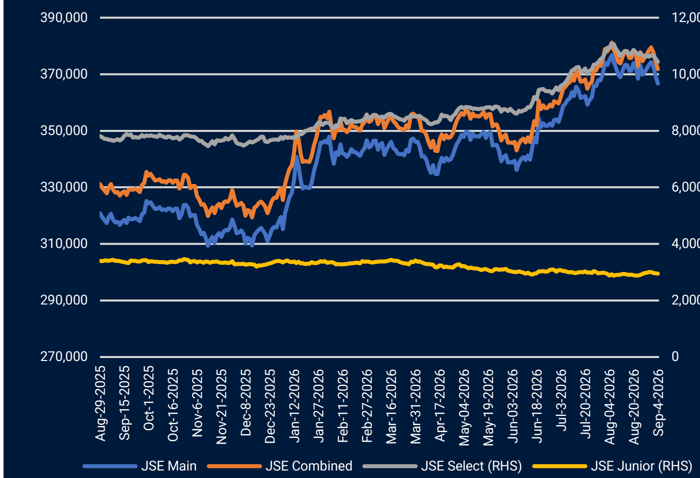
Figure 1: Revenue vs. Earnings Growth



The Jamaica Stock Exchange's (JSE) Diversified Main Market Conglomerates have spent the first half of 2026 navigating choppy waters. Hurricane Melissa's aftereffects and weaker consumer confidence[1], along with rising costs from the surge in global energy prices and a lower share of profits from associates, have created headwinds for their businesses. Yet, the latest results from Massy Holdings Limited (Massy), Pan Jamaica Group Limited (PJAM), GraceKennedy Limited (GK) and Jamaica Producers Group Limited (JP) show that diversification helped to keep topline moving. The bigger challenge, however, has been turning that top-line resilience into stronger earnings. As Melissa's fallout and other external shocks disrupt the conversion of revenues to earnings, the focus is shifting from simply weathering the storms of 2026 to directing capital where it can generate the strongest returns. This week, we examine June-quarter earnings for JSE Conglomerates and what they reveal about the sector's ability to turn diversification into sustainable earnings growth.

June's quarterly financial releases highlight a gap between revenue resilience and earnings conversion among conglomerates, though there were exceptions (See Figure 1). JP led the pack at the top line, with total revenues increasing 13.3% year-on-year (YoY) to J$43.67Mn. Revenue growth was supported by its commercial property portfolio (+10.2%) and higher net investment income (+25.3%). However, earnings were constrained by a 50.9% decline in share of profits from PJAM[2], notwithstanding lower operating costs (-4.3%). This drove consolidated net profit down 52.5% year-over-year (YoY) to J$316.52Mn. For Massy, revenues from continuing operations rose 5.6% to TT$4.14Bn. Topline growth was supported by its diversified portfolio, particularly its Motors & Machines operations, where Colombia remained an important growth market. Improving retail activity in Guyana, Trinidad and Tobago (T&T) and resilient performance across the Organisation of Eastern Caribbean States (OECS) also contributed to this growth. However, earnings declined 37.7% to TT$94.89Mn, constrained by higher transformation-related costs toward technology and controls, and the impact of Hurricane Melissa on its Jamaican operations. GK also maintained positive topline momentum, with Q2 revenues inching by a more modest 1.8% to J$45.61Bn. This reflected continued growth across its international Food operations, including stronger distribution of Grace-branded products in the U.S. and solid performances in the U.K. and Canada. Revenues from Insurance

WEEKLY MOVEMENT IN INDICES



MOVEMENT IN INDICES

JSE Indices	Closing Levels	WoW % Change	YTD % Change
Combined Index	371,856.89	-1.42%	13.22%
Main Market Index	366,751.67	-1.44%	15.34%
Select Index	10,434.84	-1.96%	35.95%
Junior Market Index	2,952.35	-1.00%	-13.20%

WINNERS & LOSERS FOR THE WEEK ENDED SEPTEMBER 4, 2026

	$ Change	% Change
MTL (USD)	$0.02	36.03%
CPJ	$1.41	26.26%
LEARN	-$0.04	-22.22%
PAL	-$0.11	-19.64%

MARKET OVERVIEW

Weakness broadened across the local equity market last week, with the JSE Combined Market Index declining by 1.4%. Market breadth turned negative, with 60 stocks declining and 54 advancing, a sharp reversal from the previous week's 78-to-38 positive spread. Trading activity also cooled considerably, with total market volume declining 71.1% week-over-week (WoW) to 170.94Mn units, while market value traded fell 84.5% to J$1.07Bn.

The pullback does not appear to have been triggered by a single market-wide development. Instead, it largely reflected profit-taking following recent gains, compounded by thin trading conditions and sharp price adjustments in select stocks. Lower liquidity may have amplified these movements, particularly in less actively traded stocks. The weakness intensified towards the end of the week, with the JSE Index declining 0.73% on September 4 alone.

Eight of nine major indices closed lower. The JSE Cross Listed Index recorded the largest decline, falling 3.7% driven by Guardian Holdings Limited (GHL: -4.1%) and Massy Holdings Limited (MASSY: -3.4%). The JSE Manufacturing & Distribution Index followed with a 2.5% decline, owing to falloff in the prices of Jamaica Producers Group Limited (JP: -15.1%) and Carreras Limited (CAR: -12.4%). These sizeable price movements were important drivers of the broader market decline and appear to reflect stock-specific selling rather than a uniform deterioration in market fundamentals. For Carreras, the decline likely reflected investors taking profits following the stock's recent price appreciation.

The JSE Financial Index was the sole advancer, edging up 0.04%, as gains in Sagicor Group Jamaica Limited (SJ: +6.8%) and General Accident Insurance Company Jamaica Limited (GENAC: +10.4%) offset weakness elsewhere in the sector. SJ's advance may have reflected positioning ahead of a possible first interim dividend for FY2026, following the company's August 24th announcement that its Board would consider a payment.

[1] Consumer confidence fell by 2.3% in the second quarter of 2026, which reversed in part the improvement of 5.7% in the previous quarter as the economy recovered from Hurricane Melissa in October 2025, according to the Business and Consumer Confidence survey conducted by Market Research Services (MRS)

[2] JP has a 34.5% stake in PJAM

and Banking & Investments also increased, though Money Services recorded a modest decline. Unlike its peers, GK converted its modest revenue growth to an 18.0% earnings growth totalling J$2.39Bn, supported by cost discipline and improved performance across key business segments. PJAM was the exception at the top line, with Q2 revenues largely flat at J$11.66Bn (-0.03%). Its Speciality Foods segment continued to benefit from higher volumes at its European juice operations, and Global Services saw increased domestic cargo movements at Kingston Wharves. However, these gains were tempered by relatively stable revenues in Property & Infrastructure and lower interest and investment income. However, earnings were markedly weaker (50.4%), reflecting higher cost of sales, lower contributions from associates[3] and joint ventures, as well as weaker investment income.

Table 1: Conglomerate Multiples

	JP	MASSY	GK	PJAM	Sector Avg.
P/E	13.30x	10.54x	10.17x	16.41x	12.60x
P/B	0.49x	0.72x	0.79x	0.77x	0.69x

The divergence in earnings was reflected in the share-price movements, while valuation multiples remained more reflective of growth prospects. GK's share price has risen 4.3% to J$75.97[4] since it released its financials, as stronger earnings buoyed investor sentiment. In contrast, weaker earnings have weighed on JP and PJAM, with their share prices falling 18.4% and 10.8%, respectively, since their financial releases. Massy has been comparatively resilient despite its earnings dip, with its stock declining by a modest 3.4%. At the same time, valuation multiples showed less correlation with historical performance, but could signal an opportunity to invest in conglomerates with lower valuations (Table 1). GK trades at 10.17x trailing earnings and 0.79x price-to-book (P/B). JP trades at 13.30x P/E and 0.49x P/B, while PJAM commands the highest P/E in the group at 16.41x, indicating that its valuation remains relatively elevated, despite recent earnings pressure. Massy, meanwhile, trades at lower P/E and P/B multiples of 10.54x and 0.72x, respectively. Notably, some of these valuation multiples are below the sector's P/E and P/B averages of 11.60x and 1.75x noted 5 years ago. This may create an opportunity for investors to top up their portfolios with conglomerates, assuming earnings can bounce back, and with it their valuations.

Two factors could support earnings and valuation rebounds: JSE's Conglomerates are becoming more deliberate about what they own and where they invest, while some macroeconomic pressures are easing.

Two factors could support earnings and valuation rebounds: JSE's Conglomerates are becoming more deliberate about what they own and where they invest, while some macroeconomic pressures are easing. Massy's decision in 2025 to dispose of Massy Distribution Jamaica is one of the clearest examples of this shift. The sale supports the company's strategy of concentrating capital in businesses where it believes it can achieve more attractive long-term returns, despite the TT$109.7Mn accounting loss recognised at its disposal in March 2026. PJAM is taking a similar approach, with management increasingly focused on businesses that operate at scale or have the potential to do so while maintaining market leadership. Its recent Q2 acquisitions of Jamaica Trading Services and West Indies Freight expand its logistics platform. Further opportunities are also being pursued across logistics, European juices, and strategic additions to its property portfolio. JP is also looking beyond its traditional operating businesses to unlock value from its asset base, with efforts to develop its property portfolio and diversify its tenant base, alongside the recent acquisition of an additional warehouse property in Kingston. GK's strategy has taken a somewhat different route, with continued geographic expansion, brand investment and digitalisation providing avenues for organic growth. Notably, its expansion of GK One into Guyana and the Cayman Islands is extending the group's geographic reach. The rollout of digital banking solutions at First Global and insurance capabilities out of Jamaica is also expanding its existing platforms through technology. On the Macro front, PJAM expects a post-Melissa rebound, with its damaged banana operation to return to full production by Q3. Massy is also anticipating improving economic activity in Jamaica early in its next financial year. Of note, reconstruction activity could provide another boost to logistics, infrastructure, distribution and related businesses as rebuilding and restoration work gathers pace. For investors, this creates the potential for earnings to recover as these temporary disruptions unwind, while recent company initiatives could provide an additional source of upside.

Nevertheless, there are risks that could derail a positive outcome. Higher input and fuel costs, given the ongoing U.S.-Iran conflict and weakening consumer sentiment, could continue to pressure earnings even as the local economy recovers. Climate-related risks also remain a concern, with the potential for natural disasters and the Super El Niño forecast for 2026. For conglomerates, these could disrupt agricultural output at JP/PJAM, raise input and distribution costs for GK and Massy, and disrupt logistics and investment activities. The Super El Niño could lower rainfall levels and the passage of ships through the Panama Canal, which could weigh on PJAM's associate KW by reducing cargo activity, while broader supply disruptions and inflation could weigh on margins and earnings across the sector. Ultimately, conglomerates' performance in 2026 and into 2027 will depend on how well they navigate the headwinds while positioning for clearer skies ahead. So far, the results suggest that diversification has helped protect revenues, but has not consistently translated into stronger earnings. If earnings begin to recover and strategic initiatives deliver stronger returns, investor confidence could improve, creating scope for share prices and valuations to recover. Overall, those that combine diversification with disciplined capital allocation, operating efficiency and generating stronger returns from existing assets will be best positioned to deliver sustainable earnings growth.

[3] Given its 30.2% interest in Sagicor Group Jamaica Limited
[4] Prices as at September 4, 2026

Foreign Exchange Market

The Jamaican dollar (JMD) appreciated by 0.1% against the USD, with the weighted average selling rate for US$1 decreasing to J$159.03 on September 4, 2026. End-user demand for USD remained subdued, as buyers may have delayed purchases ahead of the Bank of Jamaica's (BOJ) scheduled foreign exchange intervention on September 17 and 18. The planned intervention is expected to improve USD liquidity in the foreign exchange market, which could provide near-term support to the JMD.

Selling	Close: 28/8/2026	Close: 4/9/2026	Change
J$/US$1	$159.23	159.03	($0.20)
J$/CDN$1	$116.88	116.13	($0.74)
J$/GBP£1	$218.56	217.69	($0.87)

Global Bond Market

Last week, escalating geopolitical tensions in the Middle East, rising energy prices and stronger-than-expected United States (U.S.) labour market data drove weakness across global bond markets. Renewed military exchanges between the U.S. and Iran heightened concerns about disruptions to regional energy supplies, particularly as shipping through the Strait of Hormuz remained constrained. Consequently, Brent crude rose 7.6% over the week to US$96.28/bbl, while West Texas Intermediate (WTI) gained nearly 10% to US$91.48/bbl. The increase in energy prices reinforced concerns that inflation could remain elevated, further limiting the prospect for monetary easing by the U.S. Federal Reserve (Fed).

Meanwhile, U.S. nonfarm payrolls increased by 162,000 in August, well above market expectations, while the unemployment rate remained unchanged at 4.1%. The stronger-than-expected employment data pointed to continued economic resilience and reduced concerns that tighter monetary policy would cause a sharp deterioration in the labour market. Coupled with the inflationary impact of higher energy prices, the data weakened the case for near-term monetary easing and strengthened the argument for the Fed to raise rates given that inflation remains elevated.

Against this backdrop, bond yields rose across emerging markets and Treasuries. The 10-year U.S. Treasury yield increased by 6 basis points during the week to 4.78%. The rise likely reflected investors' reassessment of the interest-rate outlook amid resilient employment, higher energy prices and persistent inflation risks. Concerns surrounding the U.S. fiscal deficit and growing debt burden also continued to exert upward pressure on longer-term yields. Regional sovereign bonds similarly weakened as the rise in U.S. Treasury yields and increasing expectations for a Fed rate hike weighed on emerging-market debt. JAMAN and Dom Rep bond prices generally declined, with the largest price reductions concentrated at the longer end of the curve because of their greater sensitivity to changes in interest rates.

	Currency Rating	Indicative Price	Yield	Recommendation
Abbot Lab (4.65%) 2036	A+/ Stable	97.75	4.95%	BUY
Airbnb (5.25%) 2036	A-/ Stable	101.25	5.08%	BUY
Amazon (4.55%) 2033	AA-/ Stable	100.00	4.55%	BUY
Amazon (4.65%) 2035	AA-/ Stable	98.25	4.89%	BUY
Amazon (4.875%) 2036	AA-/ Stable	99.75	4.91%	BUY
Bahamas (6.63%) 2033	BB-/ Stable	105.50	5.62%	BUY
Bahamas (8.25%) 2036	BB-/ Stable	115.50	6.12%	BUY
Bahamas (8.95%) 2032	BB-/ Stable	116.00	5.79%	BUY
Barbados (8.00%) 2035	B+/ Positive	110.50	6.42%	BUY
Blackstone (6.00%) 2032	BBB-/ Positive	102.00	5.56%	BUY
Block Inc (6.00%) 2033	BB+/ Positive	104.00	5.30%	BUY
DOMREP (5.50%) 2029	Ba2/ Stable	103.00	4.20%	BUY
DOMREP (6.00%) 2033	Ba2/ Stable	103.00	5.44%	BUY
DOMREP (5.75%) 2034	Ba2/ Stable	101.25	5.54%	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
GEOPARK (8.75%) 2030	B+/ Stable	106.50	6.57%	BUY
Goldman Sachs Private Credit (5.875%) 2031	BBB-/ Stable	102.00	5.36%	BUY
Jefferies (6.25%) 2036	BBB/ Stable	104.00	5.69%	BUY
Kingston Airport Revenue (6.75%) 2036	Ba3/ Negative	104.00	6.22%	BUY
Minerva (4.38%) 2031	BB/ Stable	85.65	6.72%	BUY

	Currency Rating	Indicative Price	Yield	Recommendation
Minerva (7.50%) 2036 **(NEW)**[5]	BB/ Stable	98.75	7.68%	**BUY**
NCBFG (11.0%) 2030	B+/ Stable	$109.00	8.24%	-
NETFLIX (4.875%) 2030	A2/ Positive	103.00	4.01%	**BUY**
NETFLIX 5.25% 2036 **(NEW)**[6]	A/Stable	102.50	4.93%	**BUY**
NRG (3.88%) 2032	BB+/ Stable	95.00	4.94%	**BUY**
NRG (6.00%) 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+/ Stable	102.50	6.05%	**BUY**
TRANSJAM (5.75%) 2036	BB/ Stable	99.00	97.00%	**BUY**
Trinidad and Tobago (6.20%) 2038 **(NEW)**[7]	BBB-/ Negative	102.00	5.96%	**BUY**
Trinidad and Tobago (6.50%) 2036	BBB-/ Negative	104.75	5.83%	**BUY**
Trinidad Generation Unlimited (7.75%) 2033	BB/ Stable	108.25	6.23%	**BUY**
BANORTE (5.75%) 2031	BB-/ Negative	103.00	5.07%	**SELL**
FRICON (7.7%) 2028	C	11.00	197.82%	**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	102.45	4.52%
	2036	116	6.24%
	2039	117.25	5.91%
	2045	116.4	6.37%

*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%

Money Market

Liquidity in the JMD money market, as measured by the aggregated current balances held by Deposit-Taking Institutions (DTIs), declined modestly last week. As at September 4, 2026, the total aggregate current balance amounted to J$75.66Bn, compared to J$76.32Bn the previous week.

Demand for Bank of Jamaica (BOJ) liquidity management instruments remained healthy, underscoring continued appetite for short-term Jamaican-dollar investments. The BOJ's 30-day Certificate of Deposit (CD) auction attracted J$24.27Bn in bids against an offer of J$22.0Bn, resulting in a 1.10x bid-to-cover ratio (1.04x in the previous auction). The higher subscription rate came as the BOJ decreased the amount offered by J$1Bn (-4.35%). The weighted average yield on the 30-day CD auction rose slightly to 5.70%, from 5.47% in the previous week. The next 30-day CD auction is scheduled for Wednesday, September 9, 2026.

The BOJ also conducted a 14-day repurchase agreement (repo) auction, which received J$5.50Bn in eligible bids against an offer of J$3.0Bn. The auction's weighted average yield increased by 2 basis points to 5.98%, suggesting participants demanded slightly higher returns for short-term liquidity.

Finally, the Government of Jamaica (GOJ) announced a Treasury bill auction on September 2, 2026, comprising J$700Mn each of the 91-day and 182-day tenors, for a total offer of J$1.4Bn. The bills were settled on September 4, 2026, with both tenors oversubscribed and fully allocated at average yields of 5.57% and 5.55% for the 91-day and 182-day Treasury bills, respectively. The next GOJ Treasury bill auction is scheduled for Wednesday, October 7, 2026.

[5] **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**

[6] **Issuer-** Netflix, Inc., Industry-Media & Entertainment, **Type-** Senior Unsecured, Callable-Yes, **Coupon Rate**- 5.25%, **Coupon Payment**- Semi-annually, **Maturity** – August 15, 2036, Risk Profile – **Conservative**

[7] **Issuer-** Government of the Republic of Trinidad and Tobago, **Type-** Senior Unsecured, Callable-Yes, **Coupon Rate**- 6.20%, **Coupon Payment**- Semi-annually, **Maturity** – July 16, 2038, Risk Profile – **Moderate**

Dates to Watch This Week

International | Local

September 2026

MON	TUE	WED	THUR	FRI
7	8	9	10	11
PJAM Ex-Dividend Date		JSE Dividend Payment ($0.1712 per share)	Stanley Motta Limited Ex-Dividend Date PBS Pref Shares Ex-Dividend Date	Access Financial Services Dividend Payment ($0.10 per share) GHL Dividend Payment (TT$0.32 per share) NCBFG Dividend Payment ($0.50 per share)
			US Producer Price Index (Aug)	UK GDP (Jul) US Consumer Price Index (Aug)

Recommendations

Ticker	Closing Price (September 7, 2026)	P/E	Avg. Sector P/E	Current Recommendation
OMNI	$0.87	10.7x	30.9x	**BUY**
SVL	$17.19	22.3x	22.3x	**BUY**
FESCO	$3.31	12.3x	16.3x	**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 September 4, 2026		
O Money Market Fund (M Fund)	F	17.0053	5.99%	4.57%	4.81%
O Income Optimizer Fund (iO Fund) ◊	F	15.8261	4.04%	2.74%	11.17%
☆ Caribbean Equity Fund (E Fund) †	E	27.57	1.00%	3.94%	8.78%
◊ Real Estate Fund (rE Fund) †	R, F	17.7415	5.31%	4.67%	4.53%
◊ Income Distribution (id Fund) †	F	101.0294	0.00%	1.03%	1.18%
O USD Money Market Fund (xM Fund)	F	1.2579	2.85%	1.88%	2.23%
O USD Bond Fund (xB Fund)	F	1.3649	1.98%	1.73%	2.74%

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's Economy Expected to Continue Losing Steam

Brazil's economy expanded by 0.5% quarter-over-quarter and 2.0% year-over-year in Q2 2026, slightly stronger than Fitch BMI's 0.3% quarterly forecast. However, the latest data remain consistent with expectations that economic momentum will weaken through the remainder of the year. BMI maintained its 2026 real GDP growth forecast at 1.8% and expects growth to slow further to 0.2% quarter-over-quarter in Q3, reflecting a fading contribution from agriculture and exports following a strong first half of the year, alongside softer domestic demand. Brazil's Ministry of Finance also indicated that it would review its current 2.3% growth forecast, with a downward revision expected.

Private consumption is expected to remain constrained after household spending contracted 0.4% quarter-over-quarter in Q2, as high real interest rates, elevated household indebtedness and slowing fiscal support weigh on spending. Consumer confidence also fell by 4 percentage points in August to its lowest level in nearly four years. Weakening household demand has begun to feed through to firms, with high borrowing costs and election uncertainty weighing on investment. Gross fixed capital formation declined 0.2% year-over-year in Q2, while the investment rate also fell from a year earlier.

At the sectoral level, industry grew 1.4% year-over-year in Q2, largely driven by a 12.2% increase in extractive industries amid strong oil and gas production. However, manufacturing contracted 1.1% for a third consecutive quarter, while construction grew just 0.3%. Services performed relatively better, expanding 1.7%, although commerce grew only 0.8%, consistent with weaker household spending. Strong agriculture and oil production supported growth and exports in H1 2026, but the agricultural and export boost is expected to fade during the second half, while oil production should remain supportive and limit the extent of the slowdown.

Source ~ BMI, A Fitch Solutions Company

Barbados' Growth Outlook Revised Lower Amid US-Iran Spillovers

Barbados' 2026 real GDP growth forecast was revised down to 1.7% from 1.9%, compared with growth of 2.7% in 2025, reflecting subdued economic activity in H1 2026 and more prolonged spillover effects from the US-Iran conflict. Meanwhile, average inflation is forecast to rise to 2.1% in 2026 from 0.9% in 2025, as continued instability in the Middle East prolongs disruptions to global shipping and sustains pressure on international oil prices, driving up imported inflation. However, government measures to cushion the impact on households are expected to prevent a sharper rise in inflation in the near term.

On the fiscal front, the budget deficit is expected to widen from an estimated 0.2% of GDP in FY2025/26 to 1.2% in FY2026/27, as the government increases spending to support growth, upgrade infrastructure and provide targeted assistance to households and businesses. Despite the wider deficit, fiscal policy is expected to remain prudent and anchored by a healthy primary surplus, supporting a gradual decline in gross public debt from around 95.5% of GDP at end-FY2025/26 towards the government's long-term target of 60%. The Central Bank is also expected to maintain the exchange rate peg at BBD2.00/USD, which remains well supported by international reserves despite a widening external deficit stemming from the oil price shock.

Risks to the outlook remain tilted to the downside, particularly if a new US-Iran agreement to reopen the Strait of Hormuz is not reached before Q4 or the conflict escalates further. A more severe and prolonged oil price shock could push inflation higher and weaken growth beyond current forecasts. A potentially severe El Niño event could also strain water supplies, weigh on agriculture and add to local food-price pressures, while broader climate risks remain a concern for the tourism sector. Conversely, faster implementation of economic reforms could accelerate inward investment and provide upside to growth.

Source ~ BMI, A Fitch Solutions Company

International News

US-Iran Conflict Escalates as Both Sides Target Oil Tankers

Tensions between the US and Iran escalated further over the weekend, with Iran saying it targeted three oil tankers using an unauthorised route through the Strait of Hormuz, as well as several US-linked ships, in retaliation for American attacks on Iranian tankers. The Islamic Revolutionary Guard Corps (IRGC) provided no further details on the incidents or whether the vessels were hit, while also saying it attacked a US naval drone and an American military unmanned surface vessel attempting to enter the Strait. There was no immediate independent corroboration of the additional attacks around the waterway, which remains a key chokepoint for global energy shipments and a central issue in any potential US-Iran peace agreement.

The latest retaliation followed US strikes on three Iranian crude tankers, including the Suezmax-sized Kylo, which US Central Command said was destroyed and sank in the Gulf of Oman. The Stark I was disabled in the Gulf of Oman, while the very large crude carrier Downy was disabled in the Persian Gulf near Kharg Island, Iran's main oil export hub. The US said the strikes were in response to the IRGC targeting two US Navy warships with ballistic missiles. The latest tit-for-tat attacks suggest little immediate prospect of an end to the more than six-month conflict, while the IRGC reiterated its warning that vessels should not use routes through the Strait of Hormuz that it does not authorise.

Shipping activity through the Strait remained limited, with only one commodity vessel observed crossing on September 5, according to Kpler data. The continued attacks and sparse traffic through the key energy corridor underscore the ongoing risks to global energy supplies, with the conflict already contributing to higher energy prices.

Source ~ Bloomberg

World Food Prices Rise to Highest Level Since 2022 as Supply Risks Mount

World food prices rose in August to their highest level since November 2022, as adverse weather and war-related disruptions in the Black Sea heightened concerns over the supply of key agricultural commodities. Both Russian and Ukrainian forces have intensified drone and missile strikes against commercial vessels, tankers, and port infrastructure. The UN Food and Agriculture Organization's (FAO) Food Price Index averaged 133.3 points in August, up from a revised 130.8 in July, although it remained nearly 17% below the record high reached in March 2022. Extreme heat and drought in Europe, the threat of a severe El Niño weather pattern and trade disruptions stemming from the Ukraine and Iran wars have unsettled agricultural markets, pushing grain prices to three-year highs and sugar prices to a one-year high.

Prices increased across all five major food categories tracked by the FAO - cereals, vegetable oils, sugar, meat and dairy. Extreme weather in Europe affected prospects for maize, sugar beet and livestock output, while the anticipated El Niño raised concerns over palm oil and sugar production in Asia. At the same time, escalating attacks in the Black Sea curtailed grain shipments from Russia and Ukraine, while the US-Iran conflict strained fertiliser flows. The cereals price index consequently rose 2.2% month-over-month to its highest level since May 2024, while vegetable oil prices reached their highest level since June 2022. Sugar prices recorded the sharpest increase, rising 11.9% to their highest level since June 2025, also reflecting lower production in Brazil's key centre-south region.

Source ~ Reuters

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