NCB CAPITAL MARKETS LIMITED

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Market Guide

THIS ISSUE

"Do not save what is left after spending but spend what is left after saving."

- Warren Buffet

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Feel the Beat, Enjoy the Heat- Tourism Sector Rebounds in Jamaica

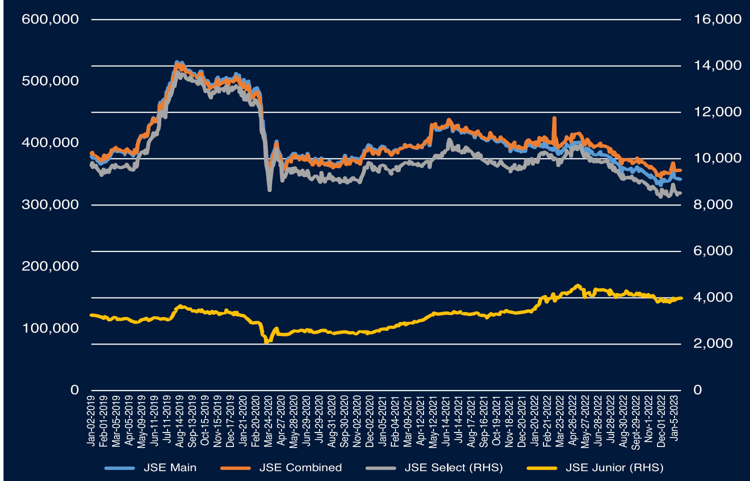
Jamaica's tourism sector is once again booming, as visitors travel to the country in large numbers, to escape the cold, embrace the culture and enjoy the warmth that Jamaica has to offer. This strong rebound in the tourism sector comes following a 68.6%[1] decline in visitor arrivals in 2020 due to the COVID-19 pandemic which saw many countries, including Jamaica, closing their borders to contain the spread of the virus and negative traveller sentiment. As the borders slowly reopened and travel resumed in June 2020, the tourism sector gradually came back to life. By the end of 2022, the sector recovered roughly 97% of 2019's stopover visitor arrival numbers and given the strong start to the 2022-23 winter season (December-April), it is anticipated that in FY 2022-23, total visitor numbers will surpass pre-pandemic levels. In addition to the increase in the number of stopover arrivals, the increase in total visitors is also supported by cruise travel, as it is expected to fully recover this winter with 524K arrivals representing a 257% increase relative to last winter[2]. Furthermore, the robust recovery and the positive developments will continue to strengthen Jamaica's economy. Against this background, we anticipate that the government will continue to pursue policies that encourage investment in the sector and promote Jamaica as a premier destination for travellers. However, with more visitors arriving, the sector needs to ensure measures are in place to attract and retain skilled workers in order to meet the sector's growing demand. Additionally, the tourism sector has played a crucial role in the recovery of the economy as several sectors such as entertainment, manufacturing, and agriculture among others, continue to benefit from its growth. Companies reliant on the sector for business could continue to see a boost in their revenues, and if combined with cost containment and efficiency strategies many should also potentially see improvements in their bottom line adding value to shareholders.

The winter-tourist season has historically been the tourism sector's most profitable season. In December 2022, Jamaica welcomed 42,000 visitors (37K stop-overs & 5K cruise visitors) over the opening weekend of the winter season, representing the strongest start of the season in Jamaica's history. Tourism earnings of $3.64Bn in 2022 equalled the record-breaking 2019 year and will continue to set new highs as earnings for the fiscal year are projected

1 World Bank

2 Ministry of Tourism

WEEKLY MOVEMENT IN INDICES



MOVEMENT IN INDICES

JSE Indices	Closing Levels	WoW % Change	YTD % Change
Combined Index	354,517.71	-1.12%	-3.8%
Main Market Index	340,731.16	-1.38%	-4.4%
Select Index	8,488.05	-0.93%	-5.2%
Junior Market Index	3,993.91	1.15%	1.2%

WINNERS & LOSERS (FOR THE WEEK ENDED JAN 23, 2023)

	$ Change	% Change
KEX	+$2.02	+19.86%
ROC	+$0.39	+19.4%
JMMBGL5.75C	-$0.36	-15.16%
KREMI	-$0.63	-15.75%

MARKET OVERVIEW

Last week, trading activity on the Jamaican stock market resulted in seven of nine indices in the combined market declining. The two indices that advanced were the Junior Market Index (+1.15%) and the JSE Cross Listed Index (0.52%). The JSE USD Equities Index (-3.99%) experienced the biggest losses. Among the stocks that traded, the major advancers were Knutsford Express Services Ltd. which gained $2.02 (19.86%) to close at $12.19, and Ironrock Insurance Company Ltd. which gained $0.39 (19.4%) to close at $2.40. KEX's performance last week reflects the ogoing impact of its Q2 FY2022/23 perfromance which was released in the prior week on trading activity. For the period ended November 30, 2022, Knutsford Express reported a net profit after tax of $58.88Mn, a significant turnaround from the loss of $821,626 in Q2 2021/22, due to discontinuation of its US subsidiary. Profits for the period under review were generated from revenue amounting to $397.96Mn, which was up 65.0% relative to the year prior. Its overall performance is supported by a rebound in tourist arrivals as the tourism sector continues to recover. Jamaica's tourism sector generated earnings of US$3.64Bn in 2022. This amount allowed the country to equal its record-breaking earnings from tourism. The major decliners were JMMB Group 5.75% FR USD CR Preference Shares which felloff by $0.36 or 15.16% to close at $2.00, and Caribbean Cream Ltd. down $0.63 or 15.75% to close at $3.37.

Last week, market activity resulted from trading in 126 stocks of which 46 advanced, 62 declined and 18 traded firm. Market volume amounted to 102,619,229 units valued at over $549,439,697.04. Overall, the market continues to reflect low demand and small queues amid high market interest rates and tight liquidity conditions. Small queues imply that small movements in volumes traded can cause relatively larger price movements.

to amount to $4.2Bn, surpassing 2019 FY earnings by $500Mn[3]. For 2023, so far, January's figures increased by 463% relative to last year and 29% compared to 2019. According to the president of the Jamaica Hotel and Tourist Association (JHTA), Robin Russell, the current forward bookings indicate that several hotels islandwide would be at roughly 90% capacity during the season. With forward bookings looking very promising thus far, it is anticipated that the country should continue to have a strong year.

Following the trend of the winter season, the outlook for 2023 is optimistic with development plans in place to extend earnings from the previous year; however, in order to fully capitalize on the increased demand, the country would first need to address the gap in the hospitality labour market. Over 6000 rooms are currently being built or renovated across the island amounting to roughly US$1.5Bn, which will provide jobs for construction and tourism workers[4] , expand the accommodation capacity, and boost future revenue-earning potential for the sector. Also in the pipeline is a new tourism zone, spanning from Oracabessa to Port Antonio, targeting primarily high-end travellers. In order to appeal to this market segment, redevelopment initiatives are ongoing in Port Antonio which would aid in providing a more seamless experience for these visitors. This includes road developments under the Southern Coastal Highway Improvement Project, as well as the construction of the $1Bn Boundbrook industrial centre. These planned investments and developments are expected to enhance the overall experience and also attract more tourists to the country. However, the anticipated growth may be hindered due to a shortage of skilled workers, who are leaving for opportunities overseas or in other industries that are providing better compensation packages. Minister of Tourism, Edmund Bartlett, has expressed his efforts to find solutions to address the issues within the workforce. A Tourism Workers' Pension Scheme has been launched to attract workers back to the industry by providing retirement benefits that would appeal to all categories of tourism industry workers[5]. The minister is also aiming to professionalize and create structure in the industry by encouraging tourism workers to receive formal training and certifications which may improve employee mobility, reduce the turnover rate and transform the workforce to meet the growing sector's needs. As such, the Jamaica Centre of Tourism Innovation and Hospitality and Tourism Management Programmes, for example, were created to offer workers an avenue to gain access to industry certifications. If these initiatives are successfully executed, it bodes well for employee retention and attraction, as well as growth within the sector.

Jamaica's economy continues to be positively impacted by the growth in the tourism sector, however, some downside risks may potentially impact the sector's outlook. In line with the visitor arrival numbers, the Statistical Institute of Jamaica (STATIN) reported 2022 Q3 growth of 5.9%, which was primarily fueled by the 'Hotels and Restaurants' category which

Tourism earnings of $3.64Bn in 2022 equalled the record-breaking 2019 year and will continue to set new highs as earnings for the fiscal year are projected to amount to $4.2Bn, surpassing 2019 FY earnings by $500Mn.

3 Jamaica Information Service (JIS)

4 Our Today - This includes developments by Sandals, RCD Hotels with Unico and Hard Rock, Princess Resorts, Royalton, Bahia Principe, Grand Palladium and RIU amounting to in excess of US$1.5 billion and creating over 12,000 construction jobs.

5 Jamaica Information Service (JIS)

grew by 35.3% year over year for that same period. Similarly, several other sectors would have benefitted from the growth in the tourism sector ranging from agriculture, entertainment, and manufacturing to transportation. For example, companies like Jamaica Broilers Group (JBG), Dolphin Cove, and Knutsford Express, which provide either goods or services linked to the tourism sector, all would have noticed increased demand due to the influx of travellers over the last year, which ultimately translated to improved earnings. Dolphin Cove saw a 105.8% and 40.5% growth in revenues and net profit, respectively, for the 9 months ended September, year-over-year. Similarly, JBG and Knutsford Express' revenues and earnings also increased for the 6 months ended October and November 2022, respectively. Revenues increased by 30.7% (JBG) and 71.8% (KEX), while net earnings rose by 119.3% (JBG) and 965.5% (KEX). These companies will continue to benefit from future growth within the sector and with the ongoing developments and planned investments, as the tourism sector's outlook remains optimistic. Furthermore, as global supply chain pressures ease and should companies successfully employ cost management strategies, we anticipate increased earnings and valuations for companies connected to the sector. This optimism is however tempered by the risk of a potential global and local recession as well as the risk of decreased demand or extreme weather-related disruptions due to global warming and climate change. Overall, although there are risks that could threaten the sector's prospects, the development plans, the increase in visitor arrivals, and the efforts towards bridging the labour gap, should all augur well for the future of the sector and by extension the economy.

Foreign Exchange Market

On Friday January 20, 2022, it took $154.96 to buy US$1, a -0.90% depreciation from the $153.56 it took just one week earlier. The weakening in the JMD reflects overwhelming demand, primarily from the broker market. Trading volumes in the inter-dealer market totaled over US$17m at an average rate of $155.13/US$1.

Selling	Close: 13/01/23	Close: 20/01/23	Change
J$/US$1	$153.56	$154.96	+$1.40
J$/CDN$1	$116.84	$114.90	-$1.94
J$/GBP£1	$185.73	$188.50	+$2.77

Global Bond Prices

Last week Fed Governor Brainard said that it will take time and resolve to bring inflation back to 2%. She noted that even with the recent moderation, inflation remains high, and policy will need to be sufficiently restrictive for some time to make sure inflation returns to 2% on a sustained basis. This position supports our expectation that in 2023 both interest rates and inflation could remain at elevated levels for a protracted period. Importantly, along with domestic inflation, the relative level of US interst rates will also be an important driver of local interest rate movements. She noted "considerable" tightening of financial conditions has helped cool demand and will likely continue to do so this year due to the lagged effects of monetary policy.

Bonds	Current Rating	Indicative Price	Yield	Recommendation
Sagicor Fin 2028 (5.30%)	BB-/ Positive	97.75	5.80%	BUY
TPHLTT 2029 (9.00%)	BB/ Stable	106.75	7.67%	BUY
MARFRIG 2026 (7.00%)	BB+/ Stable	102.25	6.23%	BUY
BERMUD 2027 (3.72%)	A+/ Stable	103.50	4.09%	BUY
PETRO-RIO 2026 (6.13%)	BB-/ Positive	98.80	9.21%	BUY
ALSEA 2026 (7.75%)	BB-/ Stable	103.75	7.63%	BUY
DomRep 2029 (5.50%)	BB-/ Stable	96.00	6.30%	BUY
NFE 2025 (6.75%)	BB-/ Stable	99.00	7.17%	HOLD
NFE 2026 (6.50%)	BB-/ Stable	95.00	8.10%	HOLD

GOJ Globals

Ticker	Maturity	Bid	Offer Yield*
JAMAN	2028	106.50	5.10%
	2039	119.50	6.00%
	2045	115.50	6.43%

*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
SJPC	2032	8.85%	104.00	8.22%
BDHR	2027	8.15%	100.50	8.00%
PBS	2025	6.50%	101.00	6.13%

Money Market

As of the 19th of January, a total of J$16.4Bn was in the market, as represented by the BOJ's aggregated current balances. This represented a J$22.45Bn decline from J$38.85Bn in aggregate current balances on January 13th. JMD liquidity was tight in the market last week with some players having JMD to lend for 30 days or longer. The average yield from BOJ's competitive price auction increased to 9.82% relative to 9.39% in the prior week.

The auction was undersubscribed, which likely helped to push yields higher. Bids received totaled J$25Bn relative to the offer size of J$30Bn. The highest bid rate for full allocation was 12%. Local CPI data, which was released last week, showed a current point-to-point rate of 9.4%, which is below the 11.2% anticipated in the October Inflation Expectation Survey conducted by the BOJ and down from the 10.3% outturn in November. The point-to-point rate is also below the projected range for inflation of 9.5% and 10.5% between October and December 2022, from the BOJ. That being said, although the rate continues to cool, it remains above BOJ's target. The BOJ will have its next monetary policy meeting on the 20th of February, and if commodity prices and inflation continue to come down, the BOJ could continue to maintain its current policy rate of 7.0%.

The USD money market remains stable and liquid. Broker market demand for USD has decreased for 30-days and longer-tenured funds, some brokers are however offering as high as 5.45% for 180 days to clients.

Dates to watch this week

International Local

January 2023

MON	TUE	WED	THUR	FRI
23	24	25	26	27
	Palace Amusement Co. Ltd. Annual/Extra-Ordinary General Meeting	BoC Interest Rate Decision	US GDP (QoQ) (Q4)	
			US Goods Trade Balance (Dec)	

Recommendations

Ticker	Closing Price (Jan. 23)	P/E	Avg. Sector P/E	Current Recommendation
WISYNCO	$16.73	14.3x	14.3x	**BUY**
GK	$79.12	10.1x	9.7x	**BUY**
ELITE	$3.15	19.6x	21.6x	**BUY**
JBG	$29.00	8.3x	14.3x	**BUY**

Regional News

World Bank Approves US$100 Million for Barbados' Green and Resilient Recovery (World Bank)

The World Bank on Monday, January 11, 2023, approved US$100Mn in financing to support Barbados' low carbon economic development and resilience to climate change. "I cannot underscore enough the necessity of a support, such as this, to middle-income small island developing states," said The Honorable Mia Mottley, Prime Minister of Barbados. This loan allows Barbados to advance its efforts to achieve climate resilience, including continuing the country's shift to clean energy. Mottley went on to say that "this ultimately allows us to better shield Barbadians from the worst excesses of the climate crisis while creating opportunities for green and blue jobs and investment as we adapt to our new reality."

The Barbados Green and Resilient Recovery Development Policy Loan have two main pillars. The first focuses on green and blue resilient development, which includes a new law on water reuse, the adoption of a climate change and agriculture policy and the establishment of an Environmental Sustainability Fund, all of which are critical since Barbados is a water-stressed country. This pillar also supports the reduction of marine pollution, and the management of natural resources, in the context of climate vulnerability. The second program pillar facilitates Barbados' low carbon and resilient infrastructure development through the implementation of new standards for agency-level disaster management plans, institutional reviews of national emergency management agencies, as well as increased renewable energy capacity and support for climate change adaptation and mitigation efforts. Barbados' heavy dependence on imported fossil fuels exposes the country to international price fluctuations, thereby impacting the competitiveness of productive sectors. Rising fuel prices also exacerbate the increasing vulnerability of Barbados' economic recovery, adding to existing environmental vulnerabilities.

Guyanese Company Signs MoU To Recruit Indian Nationals For Highly-Specialised Oil And Gas Sector Roles (Guyana Chronicles)

ACE Professional Services & Business Development Consultancy, a 100% Guyanese-owned company, on Tuesday, signed a Memorandum of Understanding (MoU) with Squadron, a company headquartered in Mumbai, India. The MoU seeks to formalise a teaming agreement, to recruit skilled Indian nationals for highly-specialised roles to support the rapidly-growing oil and gas sector in Guyana, a statement from the company said. "This partnership seeks to solve the manpower and labour challenges currently faced within Guyana's economy," the statement added.

The lead representative of ACE, Dr Rosh Khan, shared that "As Guyana works to build capacity locally for the current and emerging needs of the country, this arrangement provides an immediate opportunity to solve the critical labour requirements in the oil and gas sector. It also creates a platform for internationally-certified personnel to train Guyanese. This is key for the successful transfer of knowledge and skills to our local workforce. It should also be noted that we look forward to working with all of the relevant authorities to ensure full compliance with local and international laws."

International News

China's local governments set 2023 growth targets, offering clues on economic recovery (CNN)

Several key provinces and cities in China have announced their growth targets for this year, most of them above 5%, offering the first clues about the country's economic path in 2023. Local governments across China began to convene this week for annual legislative sessions laying out their respective policy goals for the year. The meetings will culminate in the national parliamentary session to be held in March, in which the premier is expected to disclose the nation's GDP growth target. On Wednesday, Shanghai, the most affluent city in mainland China, announced it would aim for 5.5% growth this year. Last year, its economy increased by 3%, according to the city's mayor, Gong Zheng. Shanghai, which is the nation's financial and shipping hub, was hit hard by a two-month-long COVID lockdown in April and May.

The city's fiscal income contracted last year, missing its previous goal of a 6% growth, Gong said. By industry, the combined hotel and catering sector was the worst hit, recording a 63% plunge in revenue for 2022. Gong said the city will strengthen its role as the financial centre and develop offshore yuan trading and cross-border trade settlement. It will also try to attract more international businesses. China's economy is in bad shape because of three years of Covid lockdowns and a persistent property market slump. Policymakers have recently turned their focus to boosting growth after rapidly dismantling the draconian zero-Covid policy in early December. They have also eased their stance on the embattled tech and property industries, which have been reeling from a sweeping regulatory crackdown since 2020. The signs have boosted investor and analyst confidence about a significant rebound in China's economy in 2023. So far, a group of government economists and international analysts have said they expect Beijing to set a growth target of above 5% in 2023.

Davos 2023: Recession casts long shadow over the opening of WEF summit (Reuters)

The prospect of imminent global recession cast a long shadow over Davos on Monday as participants gathering for the opening of the World Economic Forum's (WEF) annual meeting counted the likely cost for their economies and businesses. Two-thirds of private and public sector chief economists surveyed by the WEF expect a global recession this year, with some 18% considering it "extremely likely" - more than twice as many as in the previous survey conducted in September 2022.

The WEF's survey was based on 22 responses from a group of senior economists drawn from international agencies including the International Monetary Fund, investment banks, multinationals and reinsurance groups. Meanwhile, a survey of CEO attitudes by PwC released in Davos on Monday was the gloomiest since the "Big Four" auditor launched the poll a decade ago, marking a significant shift from optimistic outlooks in 2021 and 2022.

The World Bank last week slashed its 2023 growth forecasts to levels close to recession for many countries as the impact of central bank rate hikes intensifies, Russia's war in Ukraine continues, and the world's major economic engines sputter. On inflation, the WEF survey saw large regional variations: the proportion expecting high inflation in 2023 ranged from just 5% for China to 57% for Europe, where the impact of last year's rise in energy prices has spread to the wider economy. A majority of the economists see further monetary policy tightening in Europe and the United States (59% and 55%, respectively), with policymakers caught between the risks of tightening too much or too little.

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.