NCB CAPITAL MARKETS LIMITED

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Market Guide

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"Life shrinks and expands on the proportion of your willingness to take risks and try new things."

- Gary Vaynerchuk

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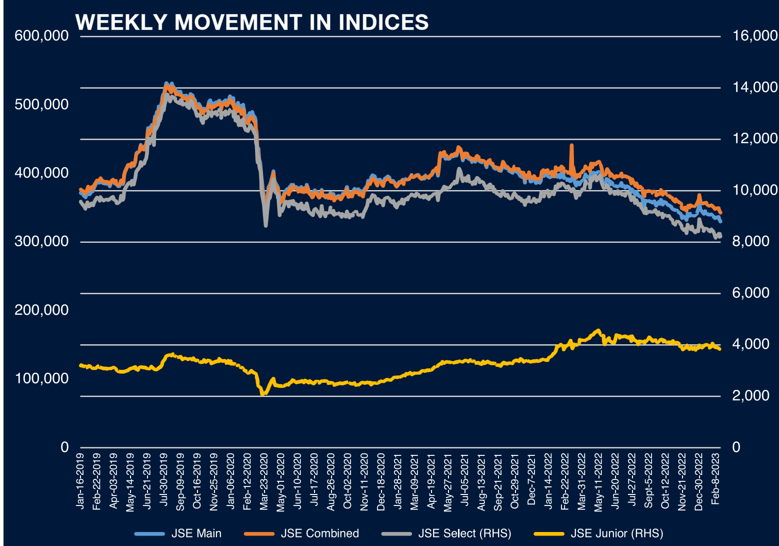
E-commerce: Was the Covid-bump a one-and-done deal, or will e-commerce growth continue?

E-Commerce, which saw significant growth, between 2020 and 2021, aided by the restrictions on movement imposed during the pandemic, slowed in 2022, following the broad reopening of the economy. Is this a signal for the near and long-term growth prospects for the sector? There was strong online sales growth and a rise in e-commerce sales as a percentage of total retail sales in 2020, as the COVID-19 outbreak forced governments all over the world to impose strict lockdowns, which meant brick-and-mortar stores had to stay shut and consumers had to remain home. Sales via the internet expanded by 24.2% in 2020, up from 17.9% in 2019 (eMarketer). Digital penetration, which was rising prior to COVID as consumers got increasingly comfortable shopping online and companies fine-tuned their ecommerce operations to deliver orders more quickly and efficiently, also jumped up. Online penetration hit 20.2%, up from 16.4% in 2019 and 14.4% in 2018 [1]. This trend was also visible locally as companies with online platforms saw a jump in sales on their eChannels during the pandemic. This was reflected in the voluminous orders on online channels for companies like Derrimon Trading[2] , and Supreme Ventures[3] . Furthermore, MailPac began capitalizing on heightened internet sales to surpass its 2020 financial projections, while others like Knutsford Express (KEX) opened new courier offices to meet the increased demand for such services, and businesses like JBG and KWL launched platforms to sustain and attract new customers. However, the growth rate in eCommerce has since fallen in the aftermath of broad economic reopening, as some consumers began shopping in person again, slowing to 17.1% in 2021 and 9.7% in 2022. This has left investors to question if the Covid-bump has lapsed, or could e-commerce growth continue? According to Morgan Stanley, over the long term, the global e-commerce market has plenty of room to grow and could increase from $3.3Tn in 2022 to $5.4Tn in 2026. In fact, e-commerce continues to grow, albeit slower than during the pandemic, and that leaves more room for greater penetration, including in the local space. Many factors will continue to drive its growth, including logistics, mobile device ownership, marketplace expansion, the growing need for customer convenience, and their diverse taste and desire for variety. For investors, this means that e-commerce will likely continue offering opportunities for gains to those businesses operating in the space, given the sector's growth prospects and the factors driving it.

In line with the global performance, domestic companies operating in



MOVEMENT IN INDICES

JSE Indices	Closing Levels	WoW % Change	YTD % Change
Combined Index	343,321.81	-1.76%	-6.9%
Main Market Index	330,245.04	-1.80%	-7.2%
Select Index	8,230.56	-1.05%	-7.5%
Junior Market Index	3,840.26	-1.45%	-3.7%

WINNERS & LOSERS (FOR THE WEEK ENDED FEB 20, 2023)

	$ Change	% Change
JMMBGL7.25	+$1.22	+39.2%
MTL	+$0.03	+29.8%
MPCCEL	-$22.89	-26.6%
BPOW	-$0.41	-16.4%

MARKET OVERVIEW

Trading activity for the week ended February 17, 2023, resulted in seven of the nine indices in the combined market declining. This represents a continuation of the trend seen since the start of the year. The JSE All Jamaican Composite Index and the JSE Financial Index saw the most significant declines of 2.24% and 2.60% respectively. The 7.73% week-over-week decline in the share price of Sagicor Group Jamaica Limited (SJ), a large market capitalization stock, contributed to the fall in the financial index. Of the two indices that advanced, the JSE USD Equities Index saw the biggest gain (+8.65%) supported by a week-over-week increase (+15.78%) in price for Productive Business Solution Ltd USD Ordinary Shares (PBS). PBS on Tuesday February 14 released its 2022 year-end financial results showing a 49.5% increase in profits over FY2021. This was attributed to a 41.1% increase in revenues as PBS diversified its operations through its acquisition of PBS Technology Group Limited. For the overall market, the main advancing and declining stocks were JMMB Group Limited 7.25% Preference Shares (+39.2%) and MPC Caribbean Clean Energy Limited (-26.6%) respectively.

Last week, overall market activity resulted from trading in 127 stocks of which 54 advanced, 63 declined and 10 traded firm. Market volume amounted to 163,083,466 units valued at over $731,579,595.73. The overall market volume leaders were One on One with 33,588,275 units (20.356%), Everything Fresh Limited with 29,534,446 units (17.90%) and Image Plus Consultants Limited with 9,490, 727 units (5.75%).

1. EMarketer (2022)
2. Derrimon's retail division, Sampars, which provides customers with basic grocery items, meats, personal care items, liquor, stationery, and frozen novelties was able to significantly increase its distribution footprint in 2020 and support stable revenues from the segment
3. SV launched its online lottery channel SV games in 2020, while its JustBet online platform deepened its share of wallet, increasing revenues as customers became more familiar with the channel and utilized it as an option for entertainment during lockdown periods.

the e-commerce space have witnessed similar trends such as the rise in sales revenues and profits followed by the fall; as well as increased online service offerings to support customer engagement, attraction and retention. MailPac for example exceeded its 2020 projections outlined in its November 2019 IPO Prospectus[4] by employing a number of strategies to provide better access to online shopping for Jamaicans whose travel and movement were curtailed due to the Covid-19 pandemic. The pandemic brought greater awareness to the value of online shopping owing to its superiority in convenience, cost savings, and the variety of choices available over traditional shopping options. Its revenues and net profit grew by 19.1% and 28.4%, respectively, in 2020. However, as seen internationally, revenue growth decelerated in 2021 to 5.4%, while net profit declined by 10.2%. Revenue subsequently fell in 2022 from the pandemic-enhanced performance, with additional influence from the impact of high inflation and interest rates on disposable incomes. Despite the decline, its performance remains above 2019 levels. On another note, local companies continue to penetrate the e-commerce space and provide the supporting-services needed to improve convenience for customers and capture greater consumer demand. One such area is courier services which have seen increasing demand owing to the rise in online sales. The global courier industry is set to grow by a forecasted compound annual growth rate of 11.1% by 2027[5] driven primarily by e-commerce. Owing to this, KEX opened two new courier offices in 2020 because of increased demand for its courier services, the first in the new hub at Drax Hall and the next at Sovereign (Centre) on the Boulevard. Although the company still recorded a decline in performance that year because of the closure of the island's borders to international tourists, this impact was tempered by the revenues from the growth in courier services. Even as its performance rebounded in FY 2022/23 on the back of recovery in tourism, management has indicated that demand for courier services remains robust supporting the strong financial performance year to date [6]. Similarly, JBG's management has noted that its e-commerce platform, launched in 2020, has been key to driving customer engagement and significant year over year sales growth [7]. Other companies such as Stationary and Office supplies (SOS) have also stated plans to develop a similar platform to expand market reach, customer base, and long-term growth prospects. This is just a small representation of the growing involvement of companies in the e-commerce space. As smartphone penetration and broadband access grow eCommerce is proving to be a cost-efficient means for local companies to expand their market reach and tap new client segments to drive growth.

E-commerce is forecasted to sustain high growth in spite of the recent dip, which will continue to create opportunities for local companies. Although there was a deceleration in the sector's growth after 2 years of unpredictable circumstances and an unusual growth pattern, even in a slower growth environment like the one expected in 2023, it is forecasted that total new spending in the e-commerce space will be strong fuelling a 10.4%[8] expansion in global online retail sales. Growth is expected to remain in high single digits subsequent to this as the sector's share of total purchases rises to 24.0% by 2026 from 19.7% in 2022 (eMarketer). In spite of

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the adverse impact of elevated inflation and interest rates, as well as lower economic activity, online sales will continue to trend upwards owing to the rise in mobile shopping, as convenience and variety become increasingly important for shoppers, the popularity of social media, and the growing subscription services market. This is supported by the dynamic adaptation to new technologies as well as changes in demographics, with the younger generations' increasing comfort with the use of technology driving more frequent online purchases than older generations. With this increasing popularity of online shopping, Jamaican businesses can continue to increase their market reach and growth potential by selling their products through eCommerce stores. In fact, the Jamaica Manufacturers and Exporters Association (JMEA) will be providing 20 small and medium-sized (MSME) businesses with the training necessary to become top sellers on the online retail giant Amazon. This is a move that could result in millions of dollars in exports from Jamaica. Given the rising use of technology and evolving consumer behaviour trends, there is still much room for growth in e-commerce, which businesses need to capitalize on. In their search for attractive opportunities, investors can explore companies that are employing strategies and are successfully leveraging these trends to deliver improved earnings and value to shareholders.

4. The company projected after tax profit to be J$317Mn in 2020, however, by the end of the 2020 financial year the company recorded net profits of J$397Mn. A difference of approximately J$80Mn.
5. Forbes Advisor
6. Revenues and net profit were up 71.8% and 1603.6%, respectively, for the six months ended November 30, 2022.
7. The company reported a 30.7% increase in year over year revenue for the six months ended October 29, 2022.
8. Forbes (2023)

Foreign Exchange Market

The Jamaican dollar appreciated by 0.05% relative to the USD, week over week, with the USD selling rate moving from J$155.05 on February 10th, 2022, to J$154.98 on February 17th 2023. The appreciation continues to be fueled by end-user apprehension to purchase USD above $155.00, with preference existing for rates around $154.50.

Selling	Close: 10/02/23	Close: 17/02/23	Change
J$/US$1	$155.05	$154.98	-$0.07
J$/CDN$1	$115.77	$115.07	-$0.70
J$/GBP£1	$189.11	$184.63	-$4.48

Global Bond Prices

Various news releases incited more dovish sentiments among investors, which resulted in global bond prices closing lower last week. This included two non-voting Fed officials stating that they would not rule out 50bps rate hikes as additional hikes in borrowing costs are essential to lower inflation back to desired levels. These views were especially supported by January inflation results, which showed that consumer prices did not moderate as much as economists had forecasted. The January Producer Price Index (PPI) was up 0.7% month-over-month (consensus 0.4%), following an upwardly revised 0.2% decline (from -0.5%) in December. Core-PPI, which excludes food and energy, was up 0.5% month-over-month (consensus 0.3%), following an upwardly revised 0.3% increase (from 0.1%) in December. On a year-over-year basis, PPI was up 6.0%, versus 6.2% in December, and core-PPI was up 5.4%, versus 5.8% in December. Similarly, total CPI increased 0.5% month-over-month (consensus 0.5%) following last month's upwardly revised 0.1% increase (from -0.1%) and core-CPI, which excludes food and energy, increased 0.4% month-over-month (consensus 0.4%) on top of last month's upwardly revised 0.4% increase (from 0.3%). On a year-over-year basis, total CPI was up 6.4%, and core-CPI was up 5.6%. Year-over-year levels were not as low as expected. The key takeaway from the report for the market is that headline inflation was hotter than expected on a monthly basis. That will fuel worries about inflation pressures persisting at higher levels for longer than expected and the Fed keeping rates higher for longer, although there was improvement on a year-over-year basis.

On a more positive note, retail sales were higher than expected, while unemployment claims fell reinforcing some anticipations for a soft landing in the US economy. Retail sales rose 3.0% in January, and are up 6.4% from a year ago, coming in higher than expected. Core retail sales rose 1.7% in January, also above market expectations. Capital Economics Chief North America Economist, Paul Ashworth said the positive surprise, "may have been partly related to the unseasonably mild winter in the Northeast but, alongside the unexpected strength of payroll employment, it nevertheless suggests the economy will easily avoid a recession in the first quarter." Initial jobless claims for the week ending February 11 decreased by 1,000 to 194,000 (consensus 203,000). Continuing jobless claims for the week ending February 4 increased by 16,000 to 1.696 million. The main takeaway from the report is that the persistence of initial claims below 200,000 reflects a very tight labour market, and a reluctance on the part of most companies to cut their workforce, which will continue to drive worries at the Fed about tight labour market conditions feeding into stickier wage-based inflation pressures.

The inflation news resulted in more investors demanding US treasuries last week, sending yields to new highs. The 2 Year Treasury closed at 4.61% from 4.51% and 10 Year Treasury closed at 3.81%.

Bonds	Current Rating	Indicative Price	Yield	Recommendation
Sagicor Fin 2028 (5.30%)	BB-/ Positive	98.5	5.63%	BUY
TPHLTT 2029 (9.00%)	BB/ Stable	107.75	7.47%	BUY
MARFRIG 2026 (7.00%)	BB+/ Stable	101.00	6.65%	BUY
BERMUD 2027 (3.72%)	A+/ Stable	98.00	4.28%	BUY
ALSEA 2026 (7.75%)	BB-/ Stable	102.75	6.91%	BUY
DomRep (6.6%) 2024	BB-/ Stable	102.00	4.37%	BUY
DomRep (5.88%) 2024	BB-/ Stable	102.00	4.07%	BUY
DomRep (5.50%) 2025	BB-/ Stable	101.00	4.95%	BUY
DomRep (6.88%) 2026	BB-/ Stable	104.00	5.38%	BUY
DomRep (8.63%) 2027	BB-/ Stable	107.50	6.53%	BUY
DomRep (5.95%) 2027	BB-/ Stable	101.00	5.66%	BUY
DomRep (5.50%) 2029	BB-/ Stable	96.00	6.31%	BUY
DomRep (6.00%) 2033	BB-/ Stable	94.25	6.80%	BUY
PETRO-RIO 2026 (6.13%)	BB-/ Positive	99.00	6.46%	BUY
NFE 2025 (6.75%)	BB-/ Stable	96.25	8.41%	HOLD
NFE 2026 (6.50%)	BB-/ Stable	93.25	8.72%	HOLD

GOJ Globals

Ticker	Maturity	Bid	Offer Yield*
JAMAN	2028	108.25	4.92%
	2039	123.00	5.78%
	2045	120.00	6.21%

*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 16th of February, a total of J$15.2B was in the market, as represented by the BOJ's aggregated current balances. The aggregated closing current account balance increased by J$1.55B from J$13.7B on February 2nd. JMD money market rates inched down slightly during the week and brokers currently have JMD to lend for all tenures. Market players are eagerly awaiting the policy interest rate decision from the Bank of Jamaica. The BOJ held policy rate constant in December for the first time since August 2021. Given the downward trend in inflation, we anticipate that the BOJ will continue to hold. In line with the global trend in key commodity prices inflation showed signs of easing, with point to Point inflation was 8.1% for January, down from 9.4% in December.

In contrast to the movement in rates in the broker market, the average yield from BOJ's competitive price auction increased to 9.93% versus 9.90% in the prior week. The auction was oversubscribed. Bids received totaled J$36.2B relative to the offer size of J$27.5B. The highest bid rate for full allocation was 10.20% relative to 10.45% in the prior week..

The USD money market remains stable and reasonably liquid. Broker market demand for USD has remained steady for 30-days and longer-tenured funds. There was no BOJ intervention in the foreign exchange market via B-FXITT last week.

Dates to watch this week

International Local

February 2023

MON 20	TUE 21	WED 22	THUR 23	FRI 24
BOJ Policy Rate Decision	CAN Core CPI (MoM, YoY)		AMG Annual/Extra-Ordinary General Meeting	
			138SL Dividend Payment Date	
			US GDP (QoQ, Q4)	

Recommendations

Ticker	Closing Price (Feb. 17)	P/E	Avg. Sector P/E	Current Recommendation
WISYNCO	$17.43	14.8x	14.4x	BUY
LAB	$2.68	17.9x	19.1x	BUY
GK	$76.36	9.8x	9.5x	BUY
ELITE	$3.10	26.5x	20.7x	BUY
IPCL	$1.96	25.8x	20.7x	BUY
JBG	$31.88	9.2x	14.4x	BUY
KWL	$31.97	14.3x	12.9x	HOLD

Regional News

Oil-rich Guyana expects Annual Economic Growth of over 25% in coming years (Reuters)

Guyana's government is forecasting the nascent oil producer's economy, which has recently been among the world's fastest-growing, will expand by at least 25% per year in the next three to four years, Finance Minister Ashni Singh said on Thursday February 16. Since oil production was inaugurated in 2019 by a consortium led by U.S. major Exxon Mobil Corp (XOM.N), Guyana's economy has boomed and the government has proposed devoting an increasing portion of its budget to infrastructure projects. "From 2020 onwards, we've achieved extremely strong real economic growth overall," Singh said at Guyana's Energy Conference and Expo in Georgetown. "Over the last three years, the Guyanese economy has tripled in size." Guyana's economy registered a real growth of 62% last year and it has been forecasted to expand by another 25% this year. Revenue from oil exports and royalties is expected to climb 31% to $1.63 billion this year, fueled by an average $83 per barrel price for Guyana's export basket. By 2027, energy producers in Guyana expect to surpass 1 million barrels per day of oil and gas output and begin natural gas exports, providing a fresh source of hard currency to the nation. "The outlook remains extremely favorable," the minister said. "Real economic growth of 25% over a sustained period is an achievement that is rare in the historic economic context."

Chile Copper Production To Slow Over Operational Challenges, With Downside Risk To Mining Investment (Fitch Solutions)

Fitch Solutions, recently revised down their 2023 copper production growth forecast for Chile from 3.4% y-o-y to 2.8% y-o-y. In 2023, there are expectations of slower copper production growth in Chile, the world's largest copper producer, due to declining ore grades and droughts. To avoid long term growth contractions, leading copper miners will need to invest in operational expansions and new projects to offset this decline. However, there is significant downward pressure on investment as the nation's leaders consider the introduction of a new mining royalty bill that raises royalty rates for miners and take a stricter stance on granting environmental permits. Alongside this, Fitch expects to see delays in new project investment as cost inflation hits miners' margins. From a global perspective, slower production growth rates in Chile is expected to further squeeze already tight supplies and boost copper prices. In the long term, Fitch noted that their outlook on Chilean copper production is not completely grim. As copper demand soars, we will see copper project investment on an upward trend as producers look to benefit from raised prices. However, this may be delayed given the current operating environment.

International News

U.S. import prices fall in January; annual increase smallest in two years (Reuters)

U.S. import prices dropped for a seventh straight month in January amid declining costs for energy products, leading to the smallest annual increase in imported inflation in two years. The report from the Labor Department on Friday February 17, however, did little to assuage financial market fears the Federal Reserve could maintain its interest hiking campaign through the summer after data this week showed a jump in monthly consumer and producer prices in January, suggesting a slow disinflation journey. Import prices fell 0.2% last month after slipping 0.1% in December. The drop in import prices, which exclude tariffs, was in line with economists' expectations. In the 12 months through January, import prices increased 0.8%. That was the smallest year-on-year gain since December 2020 and followed a 3.0% rise in December. Imported fuel prices dropped 4.9% after declining 4.4% in December. Petroleum prices fell 4.5%, while natural gas tumbled 11.2%. The cost of imported food surged 1.3%. Excluding fuel and food, import prices gained 0.2%. These so-called core import prices rose 0.4% in December. Core import prices have now increased for two straight months, likely reflecting the dollar's recent weakness against the currencies of the United States' main trade partners. The Fed has raised its policy rate by 450 basis points since last March from near zero to a 4.50%-4.75% range, with the bulk of the increases between May and December. Though two additional rate hikes of 25 basis points are expected in March and May, financial markets are betting on another increase in June.

Update: Bank of Canada says overheated economy still stoking prices (Reuters)

Bank of Canada Governor Tiff Macklem said on Thursday that the economy remains overheated and the jobs market is too tight, as he kept the door open to future interest rate hikes. On Jan. 25, the Bank hiked its key interest rate to 4.5%, the highest level in 15 years, and became the first major central bank to say it would hold off on further increases as long as prices eased as forecast. The bank forecasts inflation to slow to about 3% by the middle of the year from 6.3% in December, and to come down to its 2% target next year. Macklem reiterated the bank's policy stance, but acknowledged the impact of last week's strong January jobs report. "The labor market is just too tight. It does need to get better balanced," Macklem said during testimony to the House of Commons finance committee. Canada added a massive 150,000 jobs in January, ten times expectations.

The bank last month forecast the economy would stall and could tip into recession during the first three quarters of this year, but the jobs report showed demand is still strong. "The Canadian economy remains overheated and clearly in excess demand and this continues to put upward pressure on many domestic prices," Macklem said. "The tightness in the labor market needs to ease, wage growth needs to moderate and service price inflation needs to cool" or else more interest rate hikes will be needed, he added. In a separate speech later in the day, Deputy Governor Paul Beaudry said the bank is committed to bring inflation back to target and will do so even if its policy-setting path diverges from central banks in other countries.

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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