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Weekly Newsletter

March 15th, 2021

LOCAL EQUITIES MARKET

For the week ended Friday, our local stock market increased week-over-week. The Main Market Index grew by 0.33%, the JSE All Jamaican Composite Index increased by 0.35%, the JSE Junior Market Index improved by 1.23%, the JSE Combined Index increased by 0.40%, while the JSE USD Equities Index rose by 0.21%.

During the week, Blue Power Group was the largest gainer, rising by 31.94% to close at J$4.09. The biggest loser was Ciboney Group Limited which fell by -65.63% to close at J$0.22

As we approach the mid March, we continue to see Junior Market Equities outpacing their Main Market counterparts, as indicated in the table below.

On Friday, Overall Market activity resulted from trading in 99 stocks of which 44 advanced, 48 declined and 7 traded firm. Market volume amounted to 99,932,946 units valued at over $726,449,558.46. Wigton Windfarm Limited Ordinary Shares was the volume leader with 18,585,665 units (18.60%) followed by Derrimon Trading Company Limited with Transjamaican Highway Limited with 9,746,957 units (9.75%) .

Revisiting relevant news during the week:

FRESH from a new capital injection in the form of a $13.5-billion additional public offering (APO), Barita has gotten off to a blazing start as the investment brokerage firm's capital deployment saw the firm generate a 103 per cent jump in net profit to $1.02 billion for its first quarter ending December 31, 2020.

https://www.jamaicaobserver.com/sunday-finance/barita-doubles-profit-in-dominant-first-quarter-talent-recruitment-and-capital-deployment-in-full-drive_216404?profile=1056

Minister of Finance and the Public Service Dr Nigel Clarke says that the Bank of Jamaica's new Central Bank Digital Currency (CBDC) will be rolled out by early 2022..

https://www.jamaicaobserver.com/business-report/bank-of-jamaica-set-to-roll-out-digital-currency-by-early-2022-finance-minister-says-it-s-reform-with-ambition_216837?profile=1056

Inter -American Development Bank (IDB) has just approved a US$75-million loan for Jamaica to strengthen its COVID-19 response.

https://www.jamaicaobserver.com/business-report/jamaica-receives-us-75-million-idb-loan-to-strengthen-covid-19-response-_216844?profile=1056

Trinidadian-based Guardian Holdings Limited (GHL) has approved the cross listing of the company following a record setting 12 per cent jump in net profit attributable to shareholder of TT $774.5 million ($16.9 billion) for its financial year (FY) ending December 31, 2020.

https://www.jamaicaobserver.com/business-observer/guardian-holdings-to-cross-list-on-jamaica-stock-exchange_216666?profile=1056

GRACEKENNEDY has reached an agreement with Scotia Insurance Caribbean Limited to acquire 100 per cent of the shares of Scotia Insurance Eastern Caribbean Limited (SIECL), with the associated transaction being subject to regulatory approvals and other customary closing conditions.

https://www.jamaicaobserver.com/news/gracekennedy-to-acquire-scotia-insurance-eastern-caribbean_216562?profile=1056

Index	12/3/2021	5/3/2021	31/12/2020	Week/Week	Year-to-Date
JSE Main Market	397,038.27	395,736.54	395,614.93	0.33%	0.36%
JSE Junior Market	2,932.84	2,897.33	2,643.38	1.23%	10.95%
JSE Combined Market	396,825.46	395,241.00	392,435.92	0.40%	1.12%
JSE USD Equities Market	199.26	198.84	186.30	0.21%	6.96%

INTERNATIONAL DEVELOPMENTS

Stocks moved broadly higher for the week, lifting most of the major benchmarks to new records. Investors seemed to remain focused on fluctuating longer-term bond yields and the discount they place on future earnings, resulting in substantial swings in the technology-oriented Nasdaq Composite Index. Shares in heavily weighted automaker Tesla rebounded after the previous week's sell-off, lifting the consumer discretionary sector. The small real estate sector also outperformed within the S&P 500, while health care and energy shares lagged. The small-cap Russell 2000 Index outperformed and extended its recent market leadership, ending the week up roughly 19% on a price (excluding dividends) basis for the year to date.
https://www.troweprice.com/personal-investing/resources/insights/global-markets-weekly-update.html#US

Much of the rest of the week's economic data were arguably upbeat. Initial weekly jobless claims fell to 712,000, the lowest level since November—although, as some pointed out, this was still above the highest level reached during the Great Recession of 2007–2009. Continuing claims fell to 4.1 million, below expectations and the lowest level in a year. The gradually healing labor market seemed to be reflected in the University of Michigan's preliminary gauge of consumer sentiment in March, which rose more than expected and hit a new pandemic-era high of 83—up from a low of 73.5 last April but still well below the pre-pandemic level of 101 in February 2020.

https://www.troweprice.com/personal-investing/resources/insights/global-markets-weekly-update.html#US

Top 5 Things to Watch This Week

1. The Federal Reserve is expected to leave its benchmark interest rate unchanged at the conclusion of its two-day policy meeting at 2:00PM ET (18:00 GMT) on Wednesday, keeping it in a range between 0.0%-0.25%.

2. U.S. Retail Sales- The Commerce Department will release data on retail sales for February on Tuesday at 8:30AM ET (12:30 GMT). The consensus forecast is that the report will show retail sales fell 0.6% last month, following January's surge of 5.3%.

3. FedEx, Nike Earnings, The fourth-quarter earnings season has all but wound down, however results are expected from a number of big names in the week ahead, with most of the focus falling on FedEx, and Nike, which both report Thursday after the close.

4. Bank of England Policy Announcement, Across the pond, Governor Andrew Bailey and his fellow interest rate-setters are expected to keep borrowing costs on hold at 0.10% when the Bank of England makes its policy announcement at 8:00AM ET (12:00 GMT) on Thursday.

5. Bank of Japan Policy Meeting, The Bank of Japan, which pioneered yield curve control, is widely expected to keep monetary policy unchanged at its two-day rate review ending on Friday

https://www.investing.com/news/economy/economic-calendar--top-5-things-to-watch-this-week-2446065

Index	12/3/2021	5/3/2021	31/12/2020	Week/Week	Year-to-Date
Dow Jones	32,778.64	31,496.30	30,606.48	4.07%	7.10%
S&P 500	3,943.34	38,141.94	3,756.07	-89.66%	4.99%
NASDAQ 100	12,937.29	12,668.51	12,888.28	2.12%	0.38%
FTSE 100	6,761.47	6,630.52	6,460.52	1.97%	4.66%
Euro Stoxx 50	3,833.36	3,669.54	3,552.64	4.46%	7.90%

Local Economic Conditions

Local Foreign Exchange Market

- Our local currency appreciated by 1.56% against the U.S. Dollar week on week to settle at $147.42 as at close of trade Friday, relative to $149.75 per US$1.00 at the end of the prior week. Year to date, the Jamaican dollar has depreciated by approximately -3.34%.

Interest Rates and Inflation

- Since the onset of the pandemic in March 2020, market volatility has declined significantly. Notwithstanding, the BOJ maintains its position; supportive of the wider economy and continues to hold the policy rate at 0.50%.

- At this rate, based on its assessment, the BOJ notes that inflation will generally continue to remain within the target of 4.0% to 6.0% over the next two years.

- As at January 2021, point-to-point inflation was recorded at 4.7%

Currency Pair	12/3/21	5/3/21	31/12/20	Wk/Wk	Year-to-Date
JMD: USD	147.42	149.75	142.65	1.56%	-3.34%
JMD:CAD	118.98	117.76	111.41	-1.04%	-6.79%
JMD:GBP	204.06	208.01	193.66	1.90%	-5.37%

- Year to Date, The Money Market Fund has increased by 1.04%, the FX Bond Portfolio has decreased by -0.64%, the F.X. Growth Portfolio decreased by -1.32%, the Real Estate Portfolio has increased by 4.07% and the Capital Growth Fund grown by 2.26%.

- Barita's Collective Investment Schemes ("CIS") offer the opportunity for investors to remain invested in the market at this delicate stage of the market cycle; moreover, there is a diversification benefit and opportunity to have a professional portfolio manager make the best-in-class professional judgements on your behalf.

- The F.X. Growth Fund, which is benchmarked against the S&P 500, has depreciated by 1.32% year to date (as at March 11th, 2021). This was a temporary occurrence due to short-lived market volatility This fund allows investors to gain exposure to the U.S. equities market, without taking on the risk of directly investing in a single company.

- As at March 11th, 2021, the Capital Growth Fund has delivered a return of 2.26% relative to the JSE Combined and Main Indices which posted a decrease of 1.12% and 0.36%, respectively.

- The FX Bond Portfolio remains an attractive fixed-income portfolio, particularly when viewed within the context of global interest rates which have declined significantly as central banks maintain low policy rates to drive the economic recovery.

“If you want to have a better performance than the crowd, you must do things differently from the crowd.”

— John Templeton

Unit Trust

Unit Trust Fund	11/3/2021	3/3/2021	Week/Week Return	Year-to-Date Return	1 Year Return	Yield
Capital Growth	86.78	86.56	0.25%	2.26%	6.83%	-
Money Market	14.9299	14.9380	-0.05%	1.04%	2.58%	1.82%
Income Portfolio	100.00	100.00	-	-	-	1.79%
FX Bond Portfolio (US$)	1.3475	1.3501	-0.19%	-0.64%	1.89%	2.06%
Real Estate Portfolio	6,072.76	6,056.19	0.27%	4.07%	11.86%	-
FX Growth Portfolio	0.9854	0.9761	0.95%	-1.32%	19.76%	-

“Bull markets are born in pessimism, grow on skepticism, mature on optimism and die on euphoria. The time of maximum pessimism is the best time to buy, and the time of maximum optimism is the best time to sell.”

– John Templeton

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Investment Playbook

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Equities

Stock Ticket	Stock Information (As at March 12, 2021)	Analyst Outlook
WISYNCO Wisynco Group Ltd	P/E: 22.34x P/B: 4.08x Price: J$15.86 Div Yield: 1.13%	**OVERWEIGHT** The local fiscal support to both households and businesses was instrumental in maintaining individuals' consumption capacity, particularly those furloughed and made redundant, which supported the demand for consumer staples distributed by manufacturers and distributors Wisynco. We expect that with continued fiscal support through either direct household support or government spend on projects to stimulate employment, Wisynco's business will thrive in this environment.
LASM Lasco Manufacturing	P/E: 14.96x P/B: 2.45x Price: J$4.44 Div Yield: 1.37%	**OVERWEIGHT** The local fiscal support to both households and businesses was instrumental in maintaining individuals' consumption capacity, particularly those furloughed and made redundant, which supported the demand for consumer staples distributed by manufacturers and distributors LASM. We expect that with continued fiscal support through either direct household support or government spend on projects to stimulate employment, LASM's business will thrive in this environment. Given that more restrictive curtailment measures do not seem likely, LASM is likely to perform better than in the April - June quarter. The national curfew measures were particularly restrictive and, therefore, negatively impacted LASM's revenue growth.
LASD Lasco Distributors	P/E: 14.47x P/B: 2.05x Price: J$3.80 Div Yield: 1.34%	**OVERWEIGHT** The local fiscal support to both households and businesses was instrumental in maintaining individuals' consumption capacity, particularly those who were furloughed and made redundant, which supported the demand for consumer staples distributed by manufacturers and distributors as LASD. We expect that with continued fiscal support through either direct household support or government spend on projects to stimulate employment, LASD's business will thrive in this environment.

Ratings Definitions

OVERWEIGHT/BUY
Exposure to this asset should be between 5% and 10% of your total portfolio

MARKETWEIGHT/HOLD
Exposure to the asset should be equal to 5% of your total portfolio

UNDERWEIGHT
Reduce exposure in your portfolio to less than 5% for this particular asset

SELL
Reduce exposure in your portfolio to zero

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Equities

Stock Ticker	Stock Information (As at March 12, 2021)	Analyst Outlook
SEP Seprod Limited	P/E: 16.25x P/B: 3.07x Price: J$70.97 Div Yield: 0.42%	**OVERWEIGHT** Seprod has undergone significant structural changes within the last 5-years aimed at improving the underlying performance of the company. Within this period, particular emphasis has been placed on optimizing the distribution, warehousing and logistics capabilities of the company. This gradual, multi-year, improvement was accomplished through reinvestment within the organization coupled with strategic acquisitions aimed at increasing the distribution reach and quality of the company. Another major change was the closure of the Group's loss-making sugar division; a move that enhanced shareholder value. These changes have positioned Seprod to deliver robust growth through an expansive product mix and access to consumer markets both locally and regionally.
PROVENJMD Proven Investments Limited	P/E: 16.82x P/B: 1.10x Price: $34.56 Div Yield: 3.58%	**OVERWEIGHT** Given the current economic environment, characterized by low interest rates and increased uncertainty, PIL has shifted from the carry trade business to more private equity and real estate ventures, thereby allowing for diversification benefits to be realized - particularly as it relates to the "spreading" of risk. Given the business model of PIL wherein capital is used to acquire strategic assets, this APO is expected and should make the stock accessible to a wider pool of investors. At present, only a small subset of listed companies pursue private equity investments which makes PIL an attractive security for investors who want the liquidity the stock market provides as well as exposure to non-listed companies that can provide value.

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Stock Ticker	Stock Information (As at March 12, 2021)	Analyst Outlook
PROVENUS Proven Investments Limited	P/E: 16.92x P/B: 1.08x Price: US$0.24 Div Yield: 3.32%	**OVERWEIGHT** Given the current economic environment, characterized by low interest rates and increased uncertainty, PIL has shifted from the carry trade business to more private equity and real estate ventures, thereby allowing for diversification benefits to be realized - particularly as it relates to the "spreading" of risk. Given the business model of PIL wherein capital is used to acquire strategic assets, this APO is expected and should make the stock accessible to a wider pool of investors. At present, only a small subset of listed companies pursue private equity investments which makes PIL an attractive security for investors who want the liquidity the stock market provides as well as exposure to non-listed companies that can provide value.
SCIJMD Sygnus Credit Investments	P/E: 22.85x P/B: 0.50x Price: J$14.81 Div Yield: 2.18%	**OVERWEIGHT** Sygnus provides funding to Mid-Size firms within the lending market, which is considered to have a higher risk and generally overlooked by providers of traditional financing forms. This provides a largely untapped/under-tapped niche market within the Caribbean lending space for Sygnus, a few direct competitors. The flexibility in the financing terms offered by the Company is a clear advantage to borrowers, and it allows SCI to manage its credit risk to generate double-digit risk-adjusted returns on investments, which, consequently, bolsters shareholder value.
SCIUSD Sygnus Credit Investments	P/E: 26.67x P/B: 0.52x Price: US$0.12 Div Yield: 2.08%	**OVERWEIGHT** Sygnus provides funding to Mid-Size firms within the lending market, which is considered to have a higher risk and generally overlooked by providers of traditional financing forms. This provides a largely untapped/under-tapped niche market within the Caribbean lending space for Sygnus, a few direct competitors. The flexibility in the financing terms offered by the Company is a clear advantage to borrowers, and it allows SCI to manage its credit risk to generate double-digit risk-adjusted returns on investments, which, consequently, bolsters shareholder value.

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