World Economic Outlook Revised

April 19th , 2021

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Barita INSIGHTS

2021 INVESTMENT OUTLOOK

In this outlook we critically evaluate three main themes that support our expectations and outlook for asset class performance in 2021.

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ANALYST INSIGHT

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World Economic Outlook Revised

Even with the high uncertainty surrounding the path of the pandemic going forward, a way out is becoming increasingly visible thanks to the development and deployment of vaccines that can reduce both the severity and frequency of infections.

The IMF is now projecting a stronger recovery in 2021 and 2022 for the global economy compared to their previous forecast. After an estimated contraction of -3.3% in 2020, the global economy is projected to grow at 6% in 2021 and 4.4% in 2022. The revised projections for 2021 and 2022 are 0.8% and 0.2% stronger than in the previous forecast, reflecting additional fiscal support in a few large, developed economies and the anticipated boost from the deployment of vaccines going forward. Naturally, the strength of the projected recovery varies across countries, and this will likely weigh on the severity of the health crisis, the extent of disruptions to domestic operations, the exposure each country has to cross-border spillovers and how effective both fiscal and monetary policy actions will be in limiting damages caused by the pandemic.

United States

The US economy contracted 3.5% on an annual basis in 2020. What stood out from the expenditure breakdown was the strength of consumer durables outlays and the boom in residential investment, up 14.1% in 2020. The decline in business investment was also shallower than expected, which highlights the extent to which policy support cushioned the private sector. According to the IMF, the United States is projected to return to pre-covid levels in the first half of 2021. The policies put forward have continued to support activities in sectors less exposed to social distancing and restrictions of face-to-face interactions, which has been evident in the first quarter of 2021. Purchasing Managers Indices (PMI) surveys, consumer spending and job market data now all point to GDP rising by around 4% annualized in Q1 2021. The Biden administration's US$1.9 trillion rescue package is expected to further boost GDP over 2021 to 2022, with significant spill-overs to main US trading partners. Strong GDP growth will help to bring unemployment down, but this will be tempered by a recovery in labor force participation as restrictions are eased. By 2022, the IMF expects unemployment will still be above 4%, short of the Fed's assessment of maximum unemployment levels. The rate of inflation will rise above 3% in April driven by commodity price rises, base effects of core personal consumption expenditure and temporary supply chain pressures. Long-term inflation risk has also increased. However, the rise in inflation will be gradual given labour market slack.

Euro Area

In the euro area and the United Kingdom, activity is expected to remain below pre-covid levels into 2022. With respect to the October 2020 World Economic Outlook (WEO), projections for 2021 have been revised down in Europe while they've been revised up in Japan and the United States. The downward revision in Europe is more than offset by stronger than expected growth in the United States and Japan, which was supported by additional fiscal support in both countries at the end of 2020. In the euro area, the deteriorating health situation at the turn of the year led to a tightening of existing restrictions including a full lockdown in Germany. However, growth in Q4 2020 was not as weak as feared, given the much stronger-than-anticipated GDP outturn in France and unexpected expansions in Germany and Spain. The final outturn for 2020 was a decline of -6.6% versus expectations of -7.6% in December. Notably, the slow rollout of the vaccine programme is likely to weigh on the growth going forward. The European Commission now aims to inoculate 70% of adults by the end of summer. As such, in the near term, restrictions are expected to remain in place and hence economic activity is likely to rebound more noticeably from Q3 2021 going forward. Given the recent recovery in government bond yields and concerns around enforcing stricter financial conditions, The European Central Bank (ECB) has communicated that it will be stepping up the pace of assets purchases over the next three months. The ECB also said that the recent increases in inflation was driven by temporary factors, including the reversal of Germany's value-added tax (VAT) rate cuts and changes to the weight in the Harmonised Index of Consumer Prices. Euro rise in inflation highlights weak services inflation, labor market slack and they expect the downward shock to inflation to persist.

Latin America and the Caribbean

Despite a sharp drop in 2020, only a mild and relatively unequal recovery is expected in Latin America and the Caribbean in 2021. The longer-term outlook for countries in the Caribbean will depend on the path of the pandemic. Most countries have not secured enough vaccines to cover their population. Additionally, 2021 projections for the tourism-dependent Caribbean economies have been revised down by 1.5% points to 2.4%. However, given Jamaica's dependency on tourism, the IMF's revised projection for Jamaica's Real GDP is expected to be 1.5% for 2021 and 5.7% for 2022. This growth doesn't anticipate that Jamaica will return to pre-covid levels until 2022 (Growth in 2019: 1.7% and 2020: 1.6%). A variety of factors will determine the way forward. Key variables include a) trajectory of the virus; b) the deployment and effectiveness of COVID-19 vaccines; c) the impact of fiscal and monetary support; d) the status of labour markets and household consumption; and e) the pace at which mobility and travel restrictions are lifted. Notably, with the projected growth in the US economy, we expect that this will not only improve our tourism sector but also improve our remittance inflows.

LOCAL EQUITIES MARKET

For the week ended Friday, our local stock market declined week-over-week. The JSE Combined Index increased by 0.76%, the Main Market Index improved by 0.84%, the JSE All Jamaican Composite Index grew by 0.90%, the JSE Junior Market Index declined by -0.10%, and the JSE USD Equities Index improved by 0.90%.

During the week, K.L.E. Group Limited was the largest gainer, rising by 37.25% to close at J$1.40. The biggest loser was Eppley Limited which fell by 17.69% to close at J$28.06

During the Month of April, we continue to see Junior Market Equities (+2.4% Month to date) outpacing their Main Market counterparts (+0.8% Month to date), despite the decline seen over the last week as indicated in the table below.

As of Friday April 16th, the overall Market activity resulted from trading in 89 stocks of which 37 advanced, 30 declined and 22 traded firm. Market volume amounted to 32,324,783 units valued at over $144,056,080.34. MAILPAC GROUP LIMITED was the volume leader with 10,318,555 units (31.92%) followed by WIGTON WINDFARM LIMITED ORDINARY SHARES with 7,051,288 units (21.81%) and LASCO MANUFACTURING LIMITED with 1,917,998 units (5.93%).

Revisiting relevant news during the week:

Sandals Resorts International says it has welcomed nearly 200 influencers, celebrities, and travel media to its resorts across the Caribbean and hosted several major radio remotes, creating close to 300 million global media impressions in what it described as “an aggressive and strategic marketing thrust” to inform the world that Sandals and the Caribbean islands are open for business.
https://www.jamaicaobserver.com/business-report/sandals-and-the-caribbean-open-for-business_219304?profile=1056

Sagicor Group Jamaica has declared a final dividend of 61.24 cents per stock unit payable on May 14, 2021 to shareholders on record at close of business on April 26, 2021.
The company has also signalled its intent to pay out all previously announced dividends that remain unpaid as a result of Bank of Jamaica's (BOJ) order to local financial holding companies and deposit-taking institutions to suspend the distribution of dividends for the 2020 financial year to conserve capital amid the economic downturn caused by the novel coronavirus pandemic.
https://www.jamaicaobserver.com/business-report/sagicor-announces-dividend-payment-to-all-shareholders_219341?profile=1056

Jamaica Producers Group Limited (JP) and Curacao-headquartered reefer shipping operator Seatrade Group have entered an agreement for equal ownership of British shipping company Geest Line Limited.
While the purchase sum was undisclosed, chief executive officer of JP Jefferey Hall indicated that the acquisition is a key component of the company's strategy to continue strengthening and expanding its investment portfolio in Caribbean logistics and infrastructure.

https://www.jamaicaobserver.com/business-report/jamaica-producers-seatrade-in-joint-venture-acquisition-of-uk-shipping-company_219301?profile=1056

The Financial Services Commission (FSC) plans to restructure its operations, improve its supervisory capabilities, and facilitate the expansion of the financial markets. This, while ensuring the safety and soundness of regulated entities and greater consumer protection.
https://www.jamaicaobserver.com/business-observer/financial-services-commission-to-improve-supervisory-capabilities-government-agency-makes-net-surplus-of-15-68-million-from-its-operations_219164?profile=1056

Index	16/04/2021	09/04/2021	31/12/2020	Week/Week	Year-to-Date
JSE Main Market	397,747.50	394,428.92	395,614.93	0.84%	0.54%
JSE Junior Market	3,055.12	3,058.26	2,643.38	-0.10%	15.58%
JSE Combined Market	398,815.66	395,801.66	392,435.92	0.76%	1.63%
JSE USD Equities Market	209.26	207.4	186.3	0.90%	12.32%

INTERNATIONAL DEVELOPMENTS

The consumer price index rose 0.6% in March from the previous month and 2.6% from a year ago, according to the Department of Labor. That compares to Dow Jones estimates of 0.5% and 2.5% respectively. A surge in gasoline prices accounted for about half the gain amid signs of an accelerating economic recovery.

https://www.cnbc.com/2021/04/13/us-consumer-price-index-march-2021.html

Fed Chairman Jerome Powell has reaffirmed the central bank's commitment to keep loose monetary policy in place. "I think it's highly unlikely that we would raise rates anything like this year," Powell told "60 Minutes."

https://www.cnbc.com/2021/04/11/powell-says-its-highly-unlikely-the-fed-will-raise-rates-this-year-despite-stronger-economy.html

Adewale Adeyemo, Treasury Secretary Janet Yellen's deputy, on Wednesday defended the Biden administration's wide-ranging infrastructure plan.
"We can't only think about traditional infrastructure, which is roads and bridges and ports, but we need to think about what it takes for us to compete in the 21st century," he said.
Adeyemo said a 28% corporate tax rate will not make U.S. companies less competitive because the Treasury is pushing for a global minimum tax.

https://www.cnbc.com/2021/04/07/treasury-deputy-adeyemo-says-us-will-win-support-for-global-minimum-tax.html

Top Things to Watch This Week:

1. **Earnings Season Continues:** Netflix, Intel, IBM Kick Off Tech Earnings. 80 S&P 500 companies reporting earnings in the week ahead, including 10 Dow stocks, in what will be the first big week of the first quarter earnings season.

2. **Coca-Cola, Johnson & Johnson, Procter & Gamble Also Report:** In addition, this week's earnings calendar also includes high-profile names like Coca-Cola (NYSE:KO), Johnson & Johnson) (NYSE:JNJ), and Procter & Gamble (NYSE:PG). Blue chips such as AT&T (NYSE:T), Verizon (NYSE:VZ), Lockheed Martin (NYSE:LMT), Harley-Davidson (NYSE:HOG), Halliburton (NYSE:HAL), Honeywell (NYSE:HON), and American Express (NYSE:AXP) are also among the dozens of major companies releasing results.

3. **U.S. Housing Data:** The National Association of Realtors will release data on existing home sales for March on Thursday at 10:00AM ET. The consensus forecast is that the report will show existing home sales rose 0.9% to reach 6.18 million, following a decline of 6.6% in February.

4. **Flash U.S. PMIs:** IHS Markit's composite flash U.S. Purchasing Managers' Index (PMI) for April is due at 9:45AM ET on Friday, amid expectations for an increase to 59.9 from a reading of 59.7 in March.

5. **European Central Bank Policy Meeting:** The European Central Bank is all but certain to keep interest rates at their current record low levels at the conclusion of its monetary policy meeting at 1145GMT (7:45AM ET) on Thursday.

Index	16/04/2021	09/04/2021	31/12/2020	Week/Week	Year-to-Date
Dow Jones	34,200.67	33,800.60	30,606.48	1.18%	11.74%
S&P 500	4,185.47	4,128.80	3,756.07	1.37%	11.43%
NASDAQ 100	14,041.91	13,845.06	12,888.28	1.42%	8.95%
FTSE 100	7,019.53	6,915.75	6,460.52	1.50%	8.65%
Euro Stoxx 50	4,032.99	3,978.84	3,552.64	1.36%	13.52%

Local Economic Conditions

Local Foreign Exchange Market

- Our local currency depreciated by -1.79% against the U.S. Dollar week-on-week to settle at $151.62 as at close of trade Friday, relative to $148.91 per US$1.00 at the end of the prior week. Year to date, the Jamaican dollar has depreciated by approximately -5.92%.

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 March 2021, point-to-point was recorded at 5.2%.

- 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 increased by 2.16% year to date.

- As at April 14th, 2021, the Capital Growth Fund has delivered a YTD return of 3.72% relative to the JSE Combined and Main Market Indices which posted a returns of 1.63% and 0.54%, 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.

Currency Pair	16/04/2021	09/04/2021	31/12/2020	Week/Week	Year-to-Date
JMD: USD	151.6201	148.9056	142.6493	-1.79%	-5.92%
JMD:CAD	121.5685	120.6724	111.4117	-0.74%	-8.35%
JMD:GBP	211.7740	205.7343	193.6657	-2.85%	-8.55%

“The individual investor should act consistently as an investor and not as a speculator.”

— Ben Graham

Unit Trust Performance

- Year to Date, The Money Market Fund has increased by 1.12%, the FX Bond Portfolio has decreased by -0.49%, the F.X. Growth Portfolio increased by 2.16%, the Real Estate Portfolio has increased by 3.01% and the Capital Growth Fund has grown by 3.72%.

Unit Trust

Unit Trust Fund	14/04/2021	07/04/2021	Week/Week Return	Year-to-Date Return	1 Year Return	Yield
Capital Growth	88.0280	87.4285	0.69%	3.72%	9.38%	-
Money Market	14.9421	14.8851	0.38%	1.12%	9.38%	1.61%
Income Portfolio	100.0000	100.0000	0.00%	-	-	2.33%
FX Bond Portfolio (US$)	1.3496	1.3466	0.22%	-0.49%	7.72%	2.12%
Real Estate Portfolio	6010.9752	6,008.2148	0.05%	3.01%	-8.66%	-
FX Growth Portfolio	1.0201	1.0122	0.78%	2.16%	22.38%	-

"There are at least three significant reasons we resist contemplating our personal financial goals: it can be stress-inducing, we dislike numbers, it is socially taboo, and we are slaves to "right now."

– Daniel Crosby, Personal Benchmark: Integrating Behavioral Finance and Investment Management

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Equities

Stock Ticket	Stock Information (As at April 16, 2021)	Analyst Outlook
WISYNCO Wisynco Group Ltd	P/E: 21.90x P/B: 4.00x Price: J$15.55 Div Yield: 1.16%	**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: 15.34x P/B: 2.51x Price: J$4.55 Div Yield: 1.33%	**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: 15.19x P/B: 2.16x Price: J$3.99 Div Yield: 1.28%	**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 April 16, 2021)	Analyst Outlook
SEP Seprod Limited	P/E: 19.31x P/B: 3.29x Price: J$75.71 Div Yield: 0.40%	**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: 18.18x P/B: 1.16x Price: $36.38 Div Yield: 3.40%	**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 April 16, 2021)	Analyst Outlook
PROVENUS Proven Investments Limited	P/E: 18.30x P/B: 1.17x Price: US$0.25 Div Yield: 3.07%	**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: 22.30x P/B: 0.49x Price: J$14.45 Div Yield: 2.48%	**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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Equities

Stock Ticker	Stock Information (As at April 9, 2021)	Analyst Outlook
CCC Caribbean Cement Company	P/E: 18.99x P/B: 5.27x Price: J$71.40 Div Yield: 0.00%	**Overweight** Throughout the COVID-19 pandemic, all industries have been affected by what has been a significant downturn in aggregate demand as the pandemic has created a need for persons to reduce travelling and physical interaction. Despite this setback which predominantly materialized in Q2 of 2020, the construction industry has rebounded significantly (7.0% in Q3 2020 and 6.2% in Q4 2020), ahead of many other industries and well ahead of the overall economy. This strong growth over the last two reported quarters has been a significant tailwind for Caribbean Cement and the company has consequently seen a significant increase in the demand for its product, well in excess of previous years. On the heels of what has been a great year for the company, management expects demand to increase further, fuelled by upcoming government projects that will require substantial cement deposits. The recent government budget lends to this expectation as one of the main components of the government's SERVE Programme is infrastructure development. With that said, the company is positioning itself to meet this demand while maintaining its more efficient cost structure which was displayed in 2020, chief among these was the reduction of debt, which in turn reduced the company's cost of debt.

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