Why the end of Money Printing may not be the end of "Quantitative Easing"

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ANALYST INSIGHT

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Why the end of Money Printing may not be the end of "Quantitative Easing"

Understanding what the Fed has done as it relates to quantitative easing

In the wake of the pandemic, the Federal Reserve (The U.S. version of the Bank of Jamaica), supported the US economy through quantitative easing (buying government bonds by printing money – **note that money printing in this article means money creation because the Federal Reserve does not print the physical cash**) and all-time low interest rates (0% to 0.25%). Ultimately, these measures significantly aided the economic recovery as they provided liquidity to the economy and lowered the cost of borrowing which, in turn, induced spending. A major consequence of this easy monetary policy has been elevated financial markets and we've seen this directly as US stock exchanges have climbed to record highs. Now, since the world has been reopening and demand has catapulted, supply has largely struggled to keep pace. This has been a major factor that has propelled heightened global inflation that has become increasingly lasting, notably in contrast to the early expectations of the Federal Reserve ("The Fed") and many other central banks globally. Given this turn of events, the Fed, at a quickening pace, is slowing its quantitative easing (slowing its money printing) and is expected to pull forward its decision to increase interest rates from their historically low levels. Essentially, this would reduce and eventually discontinue the quantitative easing ("QE") and overall easy monetary policy that was used to combat the negative economic effects of the pandemic. **In this article, however, we will demonstrate that contrary to popular expectations, the effects of quantitative easing may not end when the Fed stops printing money but should, in fact, continue for some time. This could therefore keep asset prices elevated.**

Understanding the Treasury

Let's get more granular with quantitative easing… An important point of departure is that when the Fed decides to print money through quantitative easing, that money ultimately goes to the Treasury's general account (The Treasury is the US version of the Ministry of Finance). The general account of the Treasury can be thought of as the wallet of the US government. However, in order for money from the Treasury to enter the actual economy, i.e., to everyday citizens, the Treasury must make payments through commercial banks.

Side note… at the height of the pandemic, the Treasury was borrowing from the Fed (the money printer) to give money to Americans. However, two things must be remembered: (1) The Treasury always has a mandated limit on its borrowing, and (2) The Treasury breached its borrowing limit to pay Americans, so much so that some of the money borrowed was not actually used. The Treasury was able to breach this limit because a suspension was placed on the limit but once that suspension expired, the Treasury had to stop borrowing and repay much of what was borrowed to get within its limit. Since then, the limit has been suspended again and is expected to be increased eventually (no definitive date has yet been set) which would make it possible for the Treasury to increase its borrowing.

The combination of the Fed and the Treasury's actions

Now, if you've been following, you know that The Treasury had to repay significant sums of money to reduce its debt before its debt limit suspension date. By law, the Treasury cannot hold more debt than is mandated unless there's a suspension of the debt limit and once that suspension expires, the Treasury must have less debt than the debt limit. With that in mind, since the Treasury repaid so much money, where did it go? It went to money market funds, the second largest buyers of the US government's debt, after the Fed. Now, the law of supply and demand says that higher supply generally results in lower prices, so as the Treasury repaid huge amounts of money to money market funds, the price (in this case it's a rate) on the Treasury's bills (Treasury's debt) became extremely low as there was an abundance (too much supply) of money. It was so low that it threatened to push the Fed's 0% to 0.25% rate mentioned early, into negative territory. Certainly, the Fed could not allow this to happen so it utilized the reverse repo facility typically called RRP. The aim of the RRP was, in large part, to give money market funds somewhere to place their money at a definitive rate of 0.5% so rates would not go negative and it has worked very well. It has worked so well that the RRP now has US$1.5 trillion, coming from as low as US$0.00 in March 2021! But of course, the RRP is money still held at the Fed which means it is NOT in the real economy! We believe that this money will eventually make its way into the economy so while QE may stop, the effects of QE may persist as money already printed (currently in the RRP) flows into the system.

Concluding Thoughts and Implications

Eventually, the Treasury's debt limit will need to be increased so they can borrow more money (the U.S. debt is continuously on an uptrend). Once this happens, they will resume borrowing but this time the Fed will not be the major lender (no money printing/no QE). This means money market funds, in large part, will be lending to the Treasury. So, where will they get the money? Well, they have approximately US$1.5 trillion of money in the RRP and will likely lend it to the Treasury. Why lend the Treasury now when it was almost yielding a negative rate before the RRP? As the government borrows more, it pulls money out of the RRP, reduces the supply of money, and thereby increases the rate on money and makes lending the Treasury more attractive. The Treasury will then spend this borrowed money into the economy through commercial banks. That means money moves from the RRP and into the financial system through commercial banks as deposits. As the system gets more deposits and matches these deposits with low-rate assets, banks will eventually seek higher earning assets with this new money (this is how banks generally earn). That means, we could see asset prices go higher or remain elevated, contrary to what would be expected since the Fed is reducing its easy money policy, as stated at the start.

LOCAL EQUITIES MARKET

For the week ended Friday, our local stock market increased week-over-week. The JSE Combined Index advanced by 0.54%, the Main Market Index advanced by 0.59%, the JSE All Jamaican Composite Index rose by 0.59%, the JSE Junior Market Index increased by 0.02%, while the JSE USD Equities Index declined by 1.65%. During the week, 138 Student Living Jamaica Limited was the largest gainer, rising by approximately 26.29% to close at J$4.42. The biggest loser was ICreate Limited which fell by 17.58% to close at J$0.75.

Year to Date, The Junior Market Index (+26.28% YTD) continues to outpace its Main Market counterpart (-0.86% YTD) by a wide margin.

As of Friday December 10, 2021, the overall Market activity resulted from trading in 108 stocks of which 54 advanced, 45 declined and 9 traded firm.
Market volume amounted to 99,414,614 units valued at over $947,956,508.04. Caribbean Producers Jamaica Limited was the volume leader with 31,620,618 units (31.81%) followed by WIGTON WINDFARM LIMITED with 12,438,064 units (12.51%) and MAILPAC GROUP LIMITED with 11,276,366 units (11.34%).

Revisiting relevant news during the week:

Mayberry's senior vice president of investment banking Dan Theoc is of the view that Caribbean Cement Limited's decision to pay royalties to it Mexican parent CEMEX SAB de CV could have adverse affects on the price of the shares in the future. Dan also stated that Mayberry was blindsided by the resolution.
Mayberry executive defends opposition to Carib Cement royalty payment

Jamaican car dealership Jetcon Corporation's recovery is accelerating with rising sales during the third quarter ended September 30, 2020 resulting in a profit for the quarter under review. This reverses the loss of $2 million during the same period last year.
Jetcon's recovery accelerating with third-quarter sales rising

The FosRich company loaded its first shipment for export of PVC pipes and fittings destined for Barbados marking the first time the company is exporting any of its locally manufactured products. FosRich explained that the opportunity to export to Barbados arose due to the global supply chain as the client had to wait eight months for a delivery from China.
FosRich makes first shipment of PVC pipes, fittings to Barbados

John Mahfood, CEO of Jamaican tea has stated that the company plans to focus on the Caribbean market where it sees more potential for growth. For the year ended September 2021 the export manufacturing sales grew by 17%. With foreign sales from manufacturing moving from $859.6 million in FY2020 to over $1 billion in the current period.
Jamaican Teas to boost Caribbean export, expand plant

For the first time for this fiscal year government revenue collection has fallen behind projections. Total revenues and grants for the April-Oct 2021 quarter came in at $375.05 billion which was 2.80 billion less than the Government's projection.
Government revenue collections falling behind projections

Following the success of it US$400-million note offering in May, Sagicor Financial Company has reopened the offer to raise an additional US$150 million for general corporate purposes.
SFC reopens senior note offering to raise US$150 million

Index	10/12/2021	03/12/2021	31/12/2020	Week/Week	Year-to-Date
JSE Main Market	392,230.29	389,946.39	395,614.93	0.59%	-0.86%
JSE Junior Market	3,338.02	3,337.47	2,643.38	0.02%	26.28%
JSE Combined Market	396,600.96	394,477.66	392,435.92	0.54%	1.06%
JSE USD Equities Market	200.01	203.36	186.30	-1.65%	7.36%
JSE All Jamaican Composite Index	433,704.34	431,145.84	433,521.09	0.59%	0.04%

INTERNATIONAL DEVELOPMENTS

US

The S&P 500 Index recorded its best weekly gain since February, as fears seemed to abate about the omicron variant of the coronavirus. Most of the benchmarks moved near their record highs. Information technology stocks drive much of the rally as solid gains in Apple pushed the market capitalization of the world's most highly valued public company near USD 3 trillion. Shares of financial firms and utilities lagged but still recorded gains.

Bond traders appeared to take the inflation news gracefully, perhaps as they had braced themselves for an upside surprise. The yield on the benchmark 10-year US Treasury note fell in the wake of Friday's report, reversing a part of its increases earlier in the week. Receding omicron fears and weak demand for the Treasury Department's 30-year bond auction drove increases in long-maturity rates and a steepening of the yield curve through much of the week.

Europe

Shares in Europe rebounded as fears about the omicron variant of the coronavirus and its potential economic implications subsided. In local currency terms the pan-Euopean STOXX Europe 6– eneded the week 2.76% higher. France's CAC 40 Index climbed 3.34%, Italy's FTSE MIB Index advanced 3.02%, and Germany's Xetra DAX Index gained 2.99%. The UK's FTSE 100 Index advanced 2.38%.

Core eurozone bond yields ended higher. Pfizer and BioNTech shared lab results indicating that their booster vaccine could be effective against the omicron strain, helping to allay concerns about the possible economic ramifications and bumping up yields. Yields subsequently pulled back a bit on speculation that the European Central Bank could increase asset purchases via its standard Asset Purchase Program once its emergency purchases end in March 2022

Troweprice market update

Top 5 things to watch out for in the week ahead:

1. **BoE, ECB decisions:** Bothe the BoE and ECB will announce their final monetary policy decision of the year within 45 minutes of each other on Thursday. Uncertainty over the Omicron variant means the BoE is now expected to hold off hiking rates until February. The ECB is expected to announce that its €1.85 trillion PEPP pandemic stimulus scheme will end in March.

2. **U.S. economic data:** The US is due to release data on producer price inflation on Tuesday. Labor Department data on Friday showed consumer prices surged 6.8% year-over-year in November, the highest reading in more than 39 years. Meanwhile figures on retail sales are due out on Wednesday, followed by data on industrial production and initial jobless claims on Thursday.

3. **Market volatility:** US equities back at record highs, following a sell off triggered by concerns over the Omicron variant and the prospect of faster tapering. Investors are also eager to hear the Fed's view on the Omicron variants' potential impact on economic growth or inflation.

4. **Fed to Discuss Taper:** The Fed will hold its final meeting of the year on Tuesday and Wednesday and Chair Jerome Powell and his colleagues are expected to discuss accelerating the wind down of the central Bank's US$120 billion a month pandemic-era asset purchase program.

5. **Bank of Japan:** The BOJ is to conclude its two-day policy meeting on Friday and looks set to maintain ultra-loose monetary policy but debate whether to extend its emergency pandemic relief program beyond the current planned end-date of March 2022 . Central banks in Switzerland, Rusia and Hungary are also meeting during the week with rate hikes from the latter two on the cards.

Index	10/12/2021	03/12/2021	31/12/2020	Week/Week	Year-to-Date
Dow Jones	35,970.99	34,580.08	30,606.48	4.02%	17.53%
S&P 500	4,712.02	4,538.43	3,756.07	3.82%	25.45%
NASDAQ 100	16,331.98	15,712.04	12,888.28	3.95%	26.72%
FTSE 100	7,291.78	7,122.32	6,460.52	2.38%	12.87%
Euro Stoxx 50	4,199.16	4,080.15	3,552.64	2.92%	18.20%

Local Economic Conditions

Local Foreign Exchange Market

- Our local currency appreciate by 0.68% against the U.S. Dollar week on week to settle at $155.20 as at close of trade Friday, relative to $156.26 per US$1.00 at the end of the prior week. Year to date, the Jamaican has depreciated by 8.80%.

Interest Rates and Inflation

- On November 17, 2021, the Bank of Jamaica's Monetary Policy Committee (MPC) voted to increase its policy rate by 50 basis points to 2.0%. The justification was that this action was needed to curb the second round effects of recent shocks and to guide inflation back within the target range over the next two years. Inflation is projected to average 5.5 to 6.5% over the next two years. Inflation will also continue to breach the upper limit of the bank's target range over the next 10-12 months.

- As at October 2021, point-to-point was even higher at 8.5%, above the BoJ's inflation target upper bound of 6.0%.

Unit Trust Performance

- Year to Date, The Money Market Fund has increased by 4.44%, the FX Bond Portfolio has increased by 1.10%, the F.X. Growth Portfolio increased by 8.77%, the Real Estate Portfolio has decreased by 10.00% and the Capital Growth Fund has grown by 3.56%.

- 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 8.77% year to date.

- As at December 9, 2021, the Capital Growth Fund has delivered a YTD return of 3.56%, which is above the 1.06% YTD growth of its benchmark, the JSE Combined Index.

- 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.

""The biggest risk of all is not taking one."

— Mellody Hobson

Currency Pair	10/12/2021	03/12/2021	31/12/2020	Week/Week	Year-to-Date
JMD: USD	155.20	156.26	142.65	0.68%	-8.80%
JMD:CAD	122.12	122.19	111.41	0.05%	-9.62%
JMD:GBP	206.04	209.26	193.66	1.54%	-6.40%

Unit Trust

Unit Trust Fund	09/12/2021	01/12/2021	Week/Week Return	Year-to-Date Return	1 Year Return	Yield
Capital Growth	87.89	88.3178	-0.48%	3.56%	5.81%	-
Money Market	15.4322	15.3999	0.21%	4.44%	4.13%	0.45%
Income Portfolio	100.00	100	-	-	-	2.80%
FX Bond Portfolio (US$)	1.3712	1.3696	0.12%	1.10%	2.10%	2.15%
Real Estate Portfolio	5,251.61	4906.9082	7.02%	-10.00%	-5.38%	-
FX Growth Portfolio	1.0861	1.0562	2.83%	8.77%	11.06%	-

"It's not whether you're right or wrong that's important, but how much money you make when you're right and how much you lose when you're wrong."

— George Soros

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Stock Ticket	Stock Information (As at December 10, 2021)	Analyst Outlook
WISYNCO Wisynco Group Ltd	P/E: 19.12x P/B: 3.80x Price: J$ 16.25 Div Yield: 1.17%	**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: 13.81x P/B: 2.35x Price: J$ 4.75 Div Yield: 1.28%	**MARKETWEIGHT** Our expectation is for the Company to continue on its growth trajectory, supported by the improving economic backdrop of the global economy, which may manifest in increased domestic demand for goods and services. With increased stopover arrivals and planned reopening of key industries such as entertainment and education (face-to-face teaching), there are sufficient catalysts to spur further growth in 2021. However, this isn't without challenges as the global supply bottleneck will manifest itself in LASD's margins, requiring management to remain prudent in their working capital management such that higher imported inflationary pressures are not corrosive to the bottom line. Our MARKETWEIGHT recommendation balances our outlook on the company against the potential upside embedded in our estimate of fair value (as per Barita's July 15, 2021 equity report) for the company.
LASD Lasco Distributors	P/E: 11.71x P/B: 1.53x Price: J$ 3.03 Div Yield: 1.68%	**OVERWEIGHT** Our expectation is for the Company to continue on its growth trajectory, supported by the improving economic backdrop of the global economy, which may manifest in increased domestic demand for goods and services. With increased stopover arrivals and planned reopening of key industries such as entertainment and education (face-to-face teaching), there are sufficient catalysts to spur further growth in 2021. However, this isn't without challenges as the global supply bottleneck will manifest itself in LASD's margins, requiring management to remain prudent in their working capital management such that higher imported inflationary pressures are not corrosive to the bottom line.

Ratings Definitions

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SGJ Scotia Group Jamaica Limited	P/E: 13.91x P/B: 1.03x Price: J$37.57 Div Yield: 3.73%	**MARKETWEIGHT** SGJ's growth has slowed, even prior to the pandemic. Consequently, within the context of the pandemic, the Group reported a considerable net profit decline of 31.4% in FY2020. Notwithstanding, the most recent performance demonstrates that coming out of the pandemic, the Group will report relative growth in FY2021, predominantly reflecting lower ECL, FX gains given SGJ's position in the FX market, and gains from the extinguishment of debt. Beyond FY2021, however, we expect a slowdown in growth, as ECL reduction is tempered relative to FY2021 and as the Group no longer benefits from a gain on extinguishment of debt. Importantly, we also consider the Group's strong liquidity, capital adequacy, and consistent dividend payout which is at an attractive yield of 3.58%. Given its strong balance sheet and consistently above-average dividend yield, we believe SGJ is a good dividend income stock.
VMIL Victoria Mutual Investments Limited	P/E: 13.40x P/B: 2.03x Price: $6.16 Div Yield: 2.60%	**MARKETWEIGHT** On balance, we believe the upside seen by VMIL in Q1 2021 potentially represents the most Year-over-Year (YoY) upside the company will realize in FY2021 and should be the main driver of improved YoY profitability for the 2021 financial year. However, we believe the market dynamics will weigh on YoY performance, unless there's a significant improvement in business origination, beyond prior years, on the back of a strengthening economy or increased capital that can then be deployed towards growth initiatives. With that said, our MARKETWEIGHT recommendation balances the risks that remain against the potential upside embedded in our estimate of fair value (as per Barita's July 16, 2021 equity report) for the company.
JMMBGL JMMB Group Limited	P/E: 7.30x P/B: 1.16x Price: $38.38 Div Yield: 0.65%	**OVERWEIGHT** Despite the low interest rate environment, net interest income growth remains possible in FY 2022 if the Group increases growth in deposits which is a lower cost funding than repurchase agreements Moreover, our positive outlook on the Group is underpinned by expected improvements in noninterest income and share of profits from a rebounding Sagicor Financial Company (Given the anticipated growth, we believe the market is pricing JMMBGL at a discount to our estimate of its fair value).

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SEP Seprod Limited	P/E: 16.38x P/B: 2.56x Price: J$62.74 Div Yield: 0.96%	**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: 12.30x P/B: 1.03x Price: $33.50 Div Yield: 2.35%	**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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PROVENUS Proven Investments Limited	P/E: 12.32x P/B: 1.00x Price: US$0.23 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: 11.23x P/B: 0.77x Price: J$18.90 Div Yield: 1.90%	**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: 11.50x P/B: 0.79x Price: US$0.13 Div Yield: 1.92%	**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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CCC Caribbean Cement Company	P/E: 16.21x P/B: 4.50x Price: J$78.15 Div Yield: 0.00%	**OVERWEIGHT** On the heels of what has been a good year for the company, management expects demand to increase further, fueled by upcoming government projects that will require substantial cement deposits. The recent government budget lends to this expectation as one of the main components of the government's SERVE Programme is infrastructure development. With that said, the company is positioning itself to meet this demand while maintaining its more efficient cost structure which was displayed in 2020, chief among these was the reduction of debt, which in turn reduced the company's cost of debt. In the most recent quarter, profitability declined, largely on the back of poor weather conditions and the company's planned machinery maintenance. Notwithstanding the recent quarter, the Company's outlook remains positive.
LAB The Limners and Bards Limited	P/E: 20.44x P/B: 6.12x Price: J$ 3.47 Div Yield: 2.13%	**OVERWEIGHT** The LAB provides a unique opportunity for investors to get exposure to the first and only advertising and film production company listed on the Jamaica Stock Exchange (JSE). The Lab's business model is built on providing innovative solutions to clients through its main services including its brand/communication strategy, campaign concepts & execution, media buying, and film production. Throughout the pandemic, the company has repositioned its business to meet the demand of clients who needed digital solutions. Consequently, while many industries and companies faltered in 2020, The Lab reported strong top and bottom-line growth of 44.30% and 34.13%, respectively. This growth has continued into 2021, reflecting significant double-digit growth in two of the company's three operating segments. Against the backdrop of a strong, stable business model coupled with robust financial performance, we have issued an OVERWEIGHT recommendation for The Limners and Bards Limited.

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CPFV Eppley Caribbean Property Fund SCC	P/AFFO: 26.68x Price: J$40.00 AFFO Yield: 3.75%	**OVERWEIGHT** Since Eppley became the investment manager of the fund, there has been a material improvement both in portfolio's country exposure and type of real estate structures. This has led to a steady increase in the total square feet of the portfolio and increase Net Asset Value (NAV) with diversification. The Fund's pivot towards introducing Jamaican assets, especially in the industrial space will have a positive material impact on the company's long-term performance. This as the Manufacturing and Distribution (M&D) and construction industry have shown material resilience to the impact of COVID-19. As such, the continued focus on improving value to shareholders through divesting away from Barbados and retail properties will act as a positive tailwind for the long-term performance of CPFV.
MAILPAC Mailpac Group Limited	P/E: 22.01x P/B: 14.18x Price: J$ 3.30 Div Yield: 4.54%	**OVERWEIGHT** Having raised just under $500 million in its November 2019 junior market initial public offering (IPO), by March of 2020 the global economy was grappling with the COVID-19 crisis. This posed both a challenge and an opportunity for the Mailpac Group given the sudden and immediate need for e-commerce capabilities in light of social distancing and other non-medical interventions to reduce the spread of the virus. That the company was able to generate $1.7 billion in revenue during 2020 is demonstrative of the management's agility and competence of the company's leadership. They were able to pivot in building both scale and capacity, which are likely to sustain Mailpac's performance prospectively, given the likely scenario that e-commerce is likely to become more ensconced among Jamaica consumers, across various social classes.

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GENAC General Accident Insurance Company Ltd.	P/E: 13.12x P/B: 2.17x Price: J$ 6.43 Div Yield: 3.36%	**OVERWEIGHT** We see several possible tailwinds that may bode well for both the insurance sector as a whole and GENAC specifically. Namely, the increasing domestic interest rates. This should support improved investment income of insurance companies like GENAC who would be able to generate greater returns on their insurance float. This, coupled with greater operational efficiency after consolidating regional companies, should further aid profitability going forward. We also note that GENAC will continue to benefit from its relationship with the Musson Group which will allow them to form strategic relationships with both the group's other entities and customers. This will be particularly useful as the company expands into regional markets as the Musson group is diverse with stakes in public and private business across the Caribbean.

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