How Can Interest Rates Affect Your Investments

June 20, 2022

ANALYST INSIGHT

Jonathan Cook
Senior Portfolio Analyst

How Can Interest Rates Affect Your Investments

Introduction

Interest rate hikes are meant to help curb inflation, which may have a material impact on your investment portfolio. But first, let's discuss why central banks use interest rates to help attain their respective objectives. For the Bank of Jamaica (BOJ), their objectives are the maintenance of price stability and financial system stability. The Federal Reserve (the Fed) has a dual mandate: pursuing the economic goals of maximum employment and price stability. To maintain or attain their respective objectives, central banks do this by adjusting short-term interest rates. if economic growth is lagging and unemployment is rising, the central banks can lower interest rates to make it cheaper to borrow. The reasoning behind this is to encourage businesses to invest in projects and hire employees to fulfill projects, which in turn should increase consumer income and spending. On the other hand, when the economy is growing too quickly, central banks may become concerned with inflation or other issues and would therefore lend help to an overheating economy. In this case, central banks can raise interest rates causing businesses to borrow and invest less due to higher than anticipated borrowing costs, thereby reducing hiring and consumer spending. Given the recent hikes in interest rates both locally and globally, it's important to understand how it can affect the components of your investment portfolio.

Interest rate impact on bonds

Interest rates and bond prices have an inverse relationship, this means that when interest rates rise, bond prices fall and vice versa. Looking at a scenario where you purchased a bond for $100 or par value. If the central bank raises rates, this may decrease your bonds market value to $90. In this case, your unrealized loss is $10 but this is only realized if you choose to sell it. If you hold this bond to maturity, you should receive 100% of its original par value. When interest rate fluctuate, the market rate of a bond changes along with. But not all bonds are affected equally. Bonds with a shorter tenor may be less affected by interest rate changes, while longer maturity bonds may be more affected. Importantly, short-term interest rate movements should not affect the long-term outlook of an investor with a balanced portfolio. A decrease in bond prices today will likely be offset by a bond price increase at a later date which is why we encourage investors to stay the course despite current market volatility.

Interest rate impacts on stocks

Unlike bonds, interest rates do not directly affect the stock market. However, the central bank's actions may have an indirect ripple effect on stock prices. For instance, when the central bank increases its rates, consequently banks raise rates for business and consumer loans. The idea is that borrowing costs increase so consumer spending decrease. People and businesses are less inclined to borrow, if they borrow less money, they spend less. While a rate hike might not affect the "BUSINESS" negatively, however, in a country like the US, a rate hike is going to bring about a more bearish sentiment towards stocks investors believe would be either directly or indirectly affected.

Interest rate impact on Real Estate

For real estate, an interest rate hike can hurt the market while a cut can be beneficial. Real estate loses its attractiveness in a rising rate environment from the perspective of the buyer, the cost to build has increased. In addition, real estate prices are closely linked to the interest rate market, due mainly to the cost of financing (mortgage rates) as well as some bond-like characteristics where investors get regular income payments. Similar to bonds, the steady stream of income generated by real estate becomes less attractive as interest rates and coupons on newly issued bonds rise.

There's a lot of uncertainty right now due to geopolitical tension in Europe, rising fuel prices, supply chain issues from Covid-19 variants, and trillions of dollars pumped into the economy over the past two years. While the markets will very likely recover, timing the bottom or predicting how long it'll take is anyone's guess. Keep in mind that historically, investments have easily outpaced inflation even with the normal ups and downs of the market. It's important to stick to your long-term investing plan as the best performing portfolios are generally the ones that have the most time in the market.

Investment Playbook

Barita
MAKING MONEY WORK FOR YOU.

Equities

Stock Ticker	Stock Information (As of June 17 2022)	Analyst Outlook
WISYNCO Wisynco Group Limited	P/E: 18.62x P/B: 4.09x Price: $18.99 Div Yield: 1.58%	**OVERWEIGHT** Throughout the pandemic, Wisynco has managed to improve its operational efficiency but given the effects of COVID-19 on industries such as tourism and education, the Company was unable to deliver significant revenue growth. Now, with tourism rebounding and schools operating at a greater level, Wisynco has married its improved operational efficiency with stronger revenue growth, allowing for significant net profit growth. As tourism is expected to continue growing towards its pre-pandemic level of output, we expect Wisynco to continue to perform well. Wisynco Equity Report
JMMBGL JMMB Group Limited	P/E: 6.90x P/B: 1.25x Price: $42.07 Div Yield: 2.02%	**OVERWEIGHT** Given its relatively low P/E ratio and considering the Group's consistently strong performance throughout the pandemic, the market has been underpricing JMMBGL significantly, relative to its local counterparts. In recognition of this, the JMMBGL Directors approved a share buyback program which should begin in FY2022/23 which begins on April 1, 2022. Share buyback programs reduce the number of shares outstanding. As the supply of shares in the market reduces from the share buyback, share price increase is likely to follow as demand for the stock outweighs supply. JMMB Equity Report
MASSY Massy Holdings Limited	P/E: 9.69x P/B: 1.16x Price: J$ 91.97 Div Yield: 2.90%	**OVERWEIGHT** Massy Holdings Limited. (MHL, Massy), through its portfolio companies, engages in trading, manufacturing, distribution, and service industry businesses throughout the Caribbean region. The company operates through three portfolios: Integrated Retail, Gas Products, Motors, and Machine and two business lines: Financial Services, and Strategic and Other Investments. In financial year 2020, Massy transitioned from a Conglomerate to an Investment Holding Company. By so doing, Massy's strategy has changed, with the Group focusing mainly on its core portfolios. These core areas of the business represent Massy's competitive advantages, are well-positioned to scale, and are therefore expected to drive strategic growth going forward. Massy Equity Report

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

Investment Playbook

Barita
MAKING MONEY WORK FOR YOU.

Equities

Stock Ticker	Stock Information (As of June 17, 2022)	Analyst Outlook
LASD Lasco Distributors	P/E: 11.02x P/B: 1.49x Price: J$ 3.19 Div Yield: 2.04%	**OVERWEIGHT** Our expectation is for the Company to continue on its growth trajectory, supported by the improving economic backdrop of the global economy, which should manifest through continued domestic demand for goods and services. With increased stopover arrivals and the reopening of key industries such as entertainment and education (face-to-face teaching), there are sufficient catalysts to spur further growth in 2022. However, this isn't without challenges as the global supply bottleneck has affected LASD's margins. In response, management has prudently managed operational costs such that higher imported inflationary has not completely eroded the bottom line, resulting in continued growth. Lasco Distributors Equity Report
SCIJMD/ SCIUSD Sygnus Credit Investments	P/E: 9.04x / 11.84x P/B: 0.57x / 0.75x Price: J$14.43/ US$0.12 Div Yield: 2.48% / 2.04%	**OVERWEIGHT** Sygnus' business model is built on providing capital and direction to the underbanked, targeting the middle market. To accomplish this, the Company has executed several equity raises, the most recent of which was its APO launch in December 2020. Given the increase in its weighted average number of shares, EPS growth has not mirrored the double digit growth in net profit attributable to shareholders. However, we must indicate that continued growth at this level will drive higher EPS growth, once further dilution does not occur. Moreover, the stock trades at significant discount relative to peers both from a P/E perspective and a P/B perspective. At present, the market is pricing Sygnus at a seep discount to its book value per share which we believe is very wrong.
TROPICAL **Tropical Battery Limited**	P/E: 29.77x P/B: 3.86x Price: J$ 2.62 Div Yield: 0.38%	**OVERWEIGHT** Tropical Battery has been aggressively pursuing revenue diversification strategies, to reduce its dependence on auto battery and accessory sales. This is evident by the company's recent launch of three new subsidiaries aimed at providing renewable energy solutions for commercial customers. In addition, the company recently implemented a new inventory management system that has yielded improved operational efficiencies in addition to targeted sales initiatives that have improved revenue growth. We believe that the Company will continue to grow as they build out new revenue lines, improve operational efficiencies and drive targeted sales initiatives. Tropical Battery Equity Report
PROVEN JMD/PROVEN USD Proven Investment Limited	P/E: 11.40x/10.92x P/B: 1.12x/1.08x Price: J$37.65/ US$0.26 Div Yield: 3.11% / 3.12%	**OVERWEIGHT** Proven has shown strong revenue and profit growth throughout the current financial year, a performance-driven by the Group's accretive acquisitions. Most notable among these include JMMBGL and Roberts Manufacturing Company Limited. The company continues to demonstrate its appetite for growth through acquisitions as evidenced by the recent 100% acquisition of Fidelity Bank(Cayman). Given the company's history of acquiring companies with accretive value, we expect Fidelity will be similar. Coupled with this, we believe Proven is trading at favorable PE and PB multiples relative to the market.

Investment Playbook

Barita
MAKING MONEY WORK FOR YOU.

Equities

Stock Ticker	Stock Information (As of June 17, 2022)	Analyst Outlook
Lumber Lumber Depot Limited	P/E: 12.15x P/B: 5.29x Price: J$ 3.28 Div Yield: 1.83%	**OVERWEIGHT** Lumber represents an option to gain exposure to the construction sector which has been a relatively resilient and fast-growing sector. With this sector tailwind, lumber has shown strong revenue growth since its 2019 listing and the current Trailing Twelve Months(TTM) profits is 28.6% higher than financial year 2021 earnings. While there were however hiccups in the last 6 months earnings which was impacted by a combination of lock down restrictions and rising input costs respectively for Q1 and Q2, we are still monitoring how the company progresses given the loosening of restrictions and continued growth in the construction sector. We also note that despite the growth it has shown over the last 2 years, the stock still trades at an attractive PE compared to Junior market peers. Lumber Equity Report
LAB The Limners and Bards Limited	P/E: 16.59x P/B: 4.52 Price: J$ 2.82 Div Yield: 3.90%	**OVERWEIGHT** The LAB is the only listed Creative Agency on the JSE. Throughout the pandemic, the demand for the services provided by the Company has been strong. In FY2021 alone, revenue grew by 35%, an indication of the demand for the Company's services while net profit grew by 22%. With consistently positive cash flows and a cash balance that is 1.36x larger than the Company's current liabilities, we believe the Lab is poised to invest its capital efficiently towards further growth. The first step towards this is the Lab's brainchild, "SCOPE Caribbean". To date, SCOPE has not been profitable which has negatively impacted the Lab's net profit growth. This is not abnormal for a new business, and we expect this should turnaround as the business scales. The LAB Equity Report
GK GraceKennedy Limited	P/E: 12.51x P/B: 1.44x Price: J$ 104.48 Div Yield: 1.85%	**MARKETWEIGHT** For their financial year ended December 2021, the company reported growth in both their top and bottom line. Revenues increased by 12% and profit increased by 32%. Now, the company has indicated several transactions in their pipeline, including a few in insurance, one in fintech and others outside of Jamaica. These acquisitions stand to add more diversity and growth to the company's earnings. Grace Kennedy Equity Report
LASM Lasco Manufacturing	P/E: 11.98x P/B: 2.36x Price: J$ 4.95 Div Yield: 1.47%	**MARKETWEIGHT** Our expectation is for the Company, like others, to continue benefiting from an improving economic backdrop. However, there has been a clear revenue growth slowdown in the most recent quarterly result, coupled with reduce gross profit margins throughout FY2022, owing to global supply chain issues and a higher effective tax rate as Lasco no longer benefits from the Junior Market tax incentive. Lasco Manufacturing Equity Report

Investment Playbook

Barita
MAKING MONEY WORK FOR YOU.

Equities

Stock Ticker	Stock Information (As of June 17, 2022)	Analyst Outlook
SEP Seprod Limited	P/E: 25.27x P/B: 2.15x Price: J$ 70.51 Div Yield: 1.84%	**MARKETWEIGHT** Seprod has been considerably affected by global supply chain issues that have increased the Company's cost of sales. While this has occurred, instead of raising prices to consumers equivalently, Seprod has absorbed some of these costs which has affected profitability. To help mitigate this, the Group has improved its operational cost management which has had positive implications on the performance. Notwithstanding, the cost of sales remains elevated, and has only trended upwards throughout FY2021, with no clear methods to manage or reduce the current pace of the increase. Therefore, while we expect current operational cost controls to help, the uncertainty regarding cost of goods remains an ever-present threat to Group profit growth, especially given the current inflationary environment. Seprod Equity Report
MAILPAC Mailpac Group Limited	P/E: 19.36x P/B: 9.02x Price: J$ 2.71 Div Yield: 4.06%	**MARKETWEIGHT** During the peak periods of the pandemic, MAILPAC benefited immensely as online shopping became a larger share of shoppers' wallets. In large part, this period of heavy COVID-19 fear has reduced and while we anticipate online shopping will remain integral for the everyday consumer, the outsized growth we witnessed in FY2020 will likely soften further. Admittedly, the Company has a robust balance sheet with more cash than total liabilities which we believe places MAILPAC in a position to make growth-inducing investments. The current slowdown in demand and consequently revenue and profit growth, matched with the Company's strong balance sheet underscores our MARKETWEIHT recommendation MailPac Equity Report
SGJ Scotia Group Jamaica Limited	P/E: 13.68x P/B: 1.00x Price: J$ 37.08 Div Yield: 4.18%	**MARKETWEIGHT** The greatest driver of profitability in FY2021 was the reduction of Expected Credit Losses (ECL) relative to the previous year as the economic backdrop improved. Scotia is not likely to have this benefit recur to the magnitude it did in FY2021. This, coupled with no clearly communicated path to growing its main revenue lines in an industry that is highly competitive presents obvious challenges for the Group. However, Scotia has two major positives. The first is that the current rising interest rate environment supports the Group's bank model, more so than other listed financial institutions. The second is that SGJ is a consistent source of relatively attractive dividends which makes the Company a good asset for investors with a clear preference for income. Scotia Group Equity Report

Investment Playbook

Barita
MAKING MONEY WORK FOR YOU.

Equities

Stock Ticker	Stock Information (As of June 17, 2022)	Analyst Outlook
FTNA Fontana Limited	P/E: 24.07x P/B: 6.46x Price: J$ 10.83 Div Yield: 1.66%	**MARKETWEIGHT** Fontana has been growing and expanding since listing on the junior exchange in 2019. The Company has plans to expand, which includes a new outlet to bring their stores to a total of seven locations. In its most recent quarter, Net Profit saw a marginal increase of 0.1% due largely to the impact of FX losses. Further, cost of sales has been impacted given the current inflationary environment and is likely to continue being affected in the near to medium term. However, the company continues to grow organically and is financially positioned to do so. Due to the current environment and exposure to FX liabilities, profitability could dampen in the near term but in the long term, the addition of its new outlet could support growth. On balance, the Company has both significant risks and the potential for upside, which underscores our recommendation. Fontana Equity Report
SVL Supreme Ventures Limited	P/E: 28.19x P/B: 17.24x Price: J$ 29.74 Div Yield: 2.69%	**MARKETWEIGHT** Supreme Ventures is the market leader in the lottery and gaming industry. The company has also in recent years embarked on an aggressive growth strategy through several acquisitions (Champion Gaming and Post To Post Betting). The company would have been impacted by the pandemic as the lockdown measures impacted its operations at Caymanas Park. With the easing of restrictions, the Company should benefit from an easing of lock down restrictions and a normalization of business. Despite this, in the medium term we note that the company now has competition in the lottery segment of the market which may negatively impact margins. The degree to which this might impede the pace of revenue growth will however depend on the take up of new games such as Scratchaz which, at present, seems popular amongst younger consumers as it is a new addition to the Company's product offerings. Supreme Ventures Equity Report
ECL Express Catering Limited	P/E: 12.65x P/B: 22.10x Price: J$ 5.45 Div Yield: N/A	**UNDERWEIGHT** With the ongoing recovery of the tourism industry, we believe ECL's revenues will increase year over year. However, the Company is not currently operating at pre-covid efficiency levels, as price increases due to the current global supply chain challenges have driven higher costs across all product categories. Consequently, there has been a clear deterioration of the Company's profit margins. Higher cost of goods has had implications for the Company's profitability and while we expect continued growth in the tourism industry will drive higher revenue, we also expect the inflationary environment to present challenges for the Group's profitability. ECL Equity Report

Monitoring List

Barita
MAKING MONEY WORK FOR YOU.

Equities

Stock Ticker	Stock Information (As of June 17, 2022)	Analyst Outlook
MDS Medical Disposable Supplies	P/E: 16.92x P/B: 1.49x Price: J$ 6.26 Div Yield: 1.12%	Medical Disposables and Supplies have quietly been diversifying its revenue streams over the last 2 years. This is inclusive of its purchase of 60% of Cornwall Medical and Dental Supplies(CMDL) which has been consolidated into the company's financials as of their second quarter 2021. This increases the company's exposure to the dental supplies space and expands their reach into the western end of the island. The company has also shifted to providing more confectionary products and we believe its expansion and diversification efforts are worth watching.
JBG Jamaica Broilers Group	P/E: 10.15x P/B: 1.51x Price: J$ 26.09 Div Yield: 1.65%	The Jamaica Broiler's group has effectively decreased the size of its Haiti operations which has been weighing on performance for the last few quarters. This when coupled with the Group's expansion efforts into the United States may provide tailwinds for increased profitability going forward.
SOS Stationery & Office Supplies	P/E: 19.56x P/B: 3.94x Price: J$ 12.32 Div Yield: 1.30%	Stationery and Office Supplies presents investors with another option to benefit from the reopening of the domestic economy. A core segment of their business would have suffered from the lockdown measures and work from home, namely the sale of furniture and its SEEK line of books. However, during that period stationary sales have done well to fill that revenue gap. With the resumption of economic activity, the return to office and the expansion in the BPO sector, SOS might be a large beneficiary in 2022.
SJ Sagicor Group Jamaica Limited	P/E: 11.94x P/B: 1.67x Price: J$ 56.00 Div Yield: 1.98%	Sagicor Group Jamaica Limited would have been adversely impacted by the pandemic even more so than the typical financial sector company due to their exposure to the tourism sector. This would have therefore led to sizeable impairment losses on their investment in associated companies (I.e., Playa Hotel and Resorts). For 2022 we therefore expect to see some amount of recovery as the group has disposed of their investments in Playa which will stem impairment losses while simultaneously still having direct exposure to travel through their US resort (The Hilton DoubleTree) while their banking services should benefit from a pickup in economic activity.

The "Monitoring List" includes stocks that are on our radar as our initial expectation for these companies is positive. However, no official recommendation is presented as these stocks are still being evaluated.

Unit Trust

Unit Trust Fund	15/06/2022	08/06/2022	Week/Week Return	Year-to-Date Return	1 Year Return	Yield
Capital Growth	95.68	97.56	-1.92%	4.06%	2.89%	-
Money Market	15.3705	15.3400	0.20%	0.96%	2.15%	2.05%
Income Portfolio	100.00	100.00	-	-	-	3.25%
FX Bond Portfolio (US$)	1.3299	1.3426	-0.95%	-3.51%	-2.80%	2.77%
Real Estate Portfolio	5,436.69	5,478.77	-0.77%	2.57%	-6.47%	-
FX Growth Portfolio	0.8712	0.9281	-6.13%	-19.48%	-14.96%	-

"Someone's sitting in the shade today because someone planted a tree a long time ago."

Warren Buffett

Barita
MAKING MONEY WORK FOR YOU.

LOCAL EQUITY MARKET

For the week ended June 17, 2022, the local stock market as measured by the Combined Index fell week over week by 0.93%. The Main Market Index decreased by 1.29%, the JSE Junior Market Index advanced by 2.65%, and the JSE USD Equities Index declined by 4.29%. During the week, SSL Venture Capital limited USD the biggest common equity gainer, rising 80.43% to close at $3.32. The biggest common equity decliner was Knutsford Express Services Limited, which fell by 16.65% to close at $7.01.

Year-to-date, with the ongoing rebound in the local economy, small-cap stocks, reflecting those listed on the Junior Market Index have continued the strong performance seen in 2021, growing by 22.58% YTD, outpacing its Main Market counterpart which is down 3.69% YTD.

This week, Overall Market activity resulted from trading in 119 stocks of which 50 advanced, 58 declined and 11 traded firm. The following companies represent the overall volume leaders:

1. WIGTON WINDFARM LIMITED ORDINARY SHARES with 10,766,084 units (10.23%);
2. PRODUCTIVE BUSINESS SOLUTIONS LTD 9.75% CUMULATIVE REDEEMABLE with 7,251,016 units (6.89%);
3. SAGICOR SELECT FUNDS LIMITED - FINANCIAL with 5,970,523 units (5.68%);

Revisiting relevant news during the week:

Jamaica stands to increase its earnings from exports to the region by US$138 million should companies consider exploring nearshoring opportunities, a study from the Inter-American Development Bank (IDB) estimates.
Nearshoring to boost Jamaica’s export earnings

The continued boom in real estate and construction activities locally is expected to further impact the growth momentum for Berger Paint Jamaica Limited (BPJL) as it anticipates increased earnings this financial year, which its directors said has already began to exceed that of the prior year.
Berger paints colourful 2022

Stationery and Office Supplies Limited (SOS) is continuing its expansion drive, with the stationery provider acquiring the assets of D&K’s Printing and Office Supplies last Monday to further diversify the product range and increase the manufacturing capacity of its range of SEEK products.
SOS expanding again

Supreme Ventures Limited (SVL) is looking to expand its platform and digital presence through its financial technology subsidiary Supreme Ventures Fintech Limited (SVFL), which will include bill payments, loans and other financial services.
SVL deepening financial presence

The Government of Jamaica has pledged to invest $31 billion into hard infrastructure that will make the country climate resilient. The disclosure was made on June 15 at the ‘Zones: 2022 Your Partner for Resilience, Sustainability and Prosperity’ Tourism Ministerial Summit.
TGOJ pledges to invest $31 billion into hard infrastructure

Washington, United States (AP) — Federal Reserve Chair Jerome Powell has pledged to do whatever it takes to curb inflation now raging at a four-decade high and defying the Fed’s efforts so far to tame it.
Fed’s aggressive rate hikes raise likelihood of a recession

Index	17/06/2022	10/06/2022	31/12/2021	Week/Week	Year-to-Date
JSE Main Market	381,528.21	386,530.90	396,155.61	-1.29%	-3.692%
JSE Junior Market	4,202.44	4,093.86	3,428.30	2.65%	22.58%
JSE Combined Market	394,523.44	398,229.79	401,130.23	-0.93%	-1.65%
JSE USD Equities Market	210.93	220.39	195.51	-4.29%	7.89%
JSE Financial Index	91.24	91.75	98.05	-0.56%	-6.95%
JSE M&D Idex	106.82	108.36	100.38	-1.42%	6.42%

INTERNATIONAL DEVELOPMENTS

Fears of "hard landing" send stocks sharply lower

The Federal Reserve's most aggressive rate hike since 1994 raised recession fears and sent stocks sharply lower for a second consecutive week. The S&P 500 Index recorded its worst weekly decline since March 2020 and entered a bear market, ending the week nearly 24% below its January peak. Meanwhile, the percentage of S&P 500 members that were trading above their 50-day moving average sank below 5% during the week, the lowest level since pandemic fears battered shares more than two years ago.

Longer-term Treasury yields touch highest levels since 2011. Inflation and rate fears pushed the yield on the benchmark 10-year Treasury note briefly to 3.49% on Tuesday, its highest level in more than a decade. (Bond prices and yields move in opposite directions.) Powell's reassurances and the sluggish economic data sparked a relief rally to end the week, sending the 10-year note yield down to 3.24% by the close of trading on Friday, above the previous week's level but down sharply from its intraweek high.

Europe

Shares in Europe fell sharply on concerns that economic growth may stall after several central banks announced rate increases. In local currency terms, the pan-European STOXX Europe 600 Index ended the week 4.60% lower. Major indexes also recorded material declines. Germany's DAX Index dropped 4.62%, France's CAC 40 Index declined 4.92%, and Italy's FTSE MIB Index lost 3.36%. The UK's FTSE 100 Index pulled back 4.12%.

The European Central Bank's (ECB) Governing Council held an unscheduled meeting after a jump in borrowing costs for some heavily indebted member states stoked fears of another eurozone debt crisis. In a statement released after this ad hoc meeting, the ECB indicated it would take action to stem the widening yield spreads between member states' sovereign bonds.

Troweprice global market update

Things to watch in the week ahead:

1. **Powell Testimony:** Powell is due to testify before Congress in hearings on Wednesday and Thursday and is expected to reiterate the Fed's commitment to curbing inflation, which is running at the highest in 40 years. The Fed on Friday said its commitment to fight inflation is "unconditional". U.S. annual inflation rose at the fastest pace since 1981 in May.

2. **Lagarde testimony:** ECB President Christine Lagarde is to testify before the European Parliament in Brussels on Monday and is likely to be closely questioned about progress on the bank's new crisis-fighting tool since its announcement last week. The ECB is devising plans for a new purchase scheme aimed at fighting "fragmentation", or a widening gap between the borrowing costs paid by Germany and more indebted countries on the Eurozone's periphery such as Italy, Spain and Greece.

3. **U.S. economic data:** The economic calendar is light in the week ahead with updates on the health of the housing sector the main highlight. Data on Tuesday on existing home sales is expected to show a slowdown in May as mortgage rates continue to rise. The U.S. is to release data on new home sales on Friday with markets looking for signs of a bounce after May's 16.6% plunge.

4. **Stock market volatility:** Each of the three major Wall Street indexes fell for the third week in a row last week hit by fears over the growing likelihood of a recession as the Fed and other global central banks try to stamp out inflation. The benchmark S&P 500 index has slumped about 23% year-to-date and recently confirmed a bear market began on Jan. 3. The Dow is on the cusp of confirming its own bear market.

Thing to watch in the week ahead

Index	17/06/2022	10/06/2022	31/12/2021	Week/Week	Year-to-Date
Dow Jones	29,888.78	31,392.79	36,338.30	-4.79%	-17.75%
S&P 500	3,674.84	3,900.86	4,766.18	-5.79%	-22.90%
NASDAQ 100	11,265.99	11,832.82	16,320.08	-4.79%	-30.97%
FTSE 100	7,016.25	7,317.52	7,384.54	-4.12%	-4.99%
Euro Stoxx 50	3,438.46	3,599.20	4,298.41	-4.47%	-20.01%

ABOUT US

Barita Investments Limited, is a publicly traded company on the JSE, 74.3% owned by Cornerstone Financial Holdings Limited ("Cornerstone"). Founded by Rita Humphries-Lewin in 1977, the Company has the distinction of being the oldest stockbrokerage in Jamaica. The Company is licensed by the FSC as a Securities Dealer, is a member dealer of the JSE and is a Primary Dealer and Cambio Dealer for the Bank of Jamaica ("BOJ").

Barita, home of one of Jamaica's top performing equity funds, has a legacy of excellence, and is recognized as established in relation to middle market retail segment products and for Unit Trust performance.

Products and services include:

- Cambio Trading
- Fixed Income Trading
- Stock Brokerage
- Pooled Funds Management
- Structured Products
- Retirement Planning
- Wealth Management
- Investment Banking

Through its subsidiary, Barita Unit Trusts Management Company Limited ("BUTM"), Barita currently offers six (6) unit trust products spanning fixed income, equities and real estate.

Contact us
Tel:(876) 926-2681 or (888) 429-5333
Website: *www.barita.com*