MAKING MONEY WORK FOR YOU.

Should we be worried about an impending recession?

July 04, 2022

ANALYST INSIGHT

Peter-George Simon
Senior Investment Strategy Analyst

Should we be worried about an impending recession?

Introduction

The bank of Jamaica in May would have stated that they see no "major risk" of a recession, with growth expected to continue into next year (2023). These fears would have been born out of economic data from the US increasingly pointing to the potential for an economic slowdown there. This has therefore led to many pertinent questions from the investing public. Namely, should we be worried about a recession? And if so how does one position themselves for such a prospect? Hence in this piece, we will go over the current conditions globally, then the domestic macro environment, the interlinkages between the two, and then finally, just how worried should we be and the investment implications.

What's a recession?

The textbook definition of a recession is two consecutive quarters of real GDP decline. A more comprehensive definition by NBER (The National Bureau of Economic research based in America) considers wider factors such as employment, real income, as well as the depth and breadth of the decline. Based on the technical definition, the US economy is one negative quarter away from being in a recession following the 1.6% annualized decline for Q1 2022. This possibility is further cemented by the Atlanta Fed's (Branch of the Federal Reserve, America's equivalent of the Bank of Jamaica) "nowcast" of Q2 2022 GDP growth of -2.1% as of the 27th of June. Hence for a technical recession to be avoided the preliminary 2nd-quarter GDP reading would need to surprise on the upside by 2.1%, which has never happened throughout the 11 years of GDP now estimates that we have looked at (assuming no changes between now and the final nowcast on July 27th).

The situation in The US

The factors driving these conditions are well broadcasted. These include, inflationary pressures from supply chain bottlenecks and the uncertainty caused by geopolitical issues. This has necessitated a shift toward contractionary monetary policy globally. Hence global consumption and production capacity has been hit by uncertainty, supply issues, inflation and rising interest rates which have aided in reducing consumer and business confidence. This is evidenced by the first quarter US GDP outturn as well as the aforementioned Q2 nowcast featuring a negative drag from a drawdown in private inventories (as well as the Q2 2022 featuring a slow down of consumer spending). Essentially, these outturns reflect slowing consumer spending being matched by heightened levels of inventory as private businesses remained overstocked as seen by the ratio of private inventory to sales of domestic businesses in the US as of Q1 2022 being at its highest level since 2014. Hence, given the overstocking, declining consumer confidence and more persistent than expected inflation, we see plenty of headwinds for growth for the remainder of 2022 with the US likely already being in a technical recession.

Domestic Environment

In the local context the distinction between a technical recession and a more comprehensive measure becomes important once again. This is because if measured through a similar methodology reported for the US (real annualized quarter over quarter seasonally adjusted GDP), Jamaica would also be on the verge of a "technical recession" (following an annualized decline of 4.64% for Q1 2022). However, other indicators of the health of the economy such as the unemployment rate (new low of 6.2% in January) and the lack of a widespread decline in multiple industries would suggest a healthier economy when looked at through a broader lens. This sentiment is also echoed by forecasters who still project on a year-over-year basis the Jamaican economy will continue its above-average growth, with Real GDP growth projected to be 3.3% for 2023 by the IMF (who of note typically also uses a broader definition of recession to include employment, income, industrial production, etc.) who also are also of the opinion that a recession will be avoided.

The interconnectedness of the world does however mean that we cannot ignore the possible impact of a US recession on the domestic economy. The US remains a major source of external demand for Jamaican goods including our tourism product (on a side note the US conference board consumer confidence survey has shown that the proportion of Americans planning to vacation in the next 6 months continues to decline) and a source of secondary income through remittances which bolster domestic consumption. Despite the possibilities of contagion from a weakening US economy, domestically this hasn't been shown fully in recent data. That is, remittances remain strong, despite being marginally lower for the first 4 months of 2022 than the corresponding period in 2021. Additionally, tourist stop over arrivals continued its strong recovery with the March 2022 figures being simultaneously 193% higher than March 2021 and still only 80% of the pre- pandemic March 2019 figures.

We note that there remains room for further recovery, particularly in sectors such as mining and quarrying (which the BOJ noted should pick up later this fiscal year) as well as the transport and restaurant services sectors which remain well below their pre-pandemic levels by 72% and 34% respectively. Despite this, we believe a slowdown to trend growth, which is inevitable, is likely to happen at a faster pace given headwinds from possible further weakening in external demand which may show with a lag, the return to more conservative fiscal policy and the current tight monetary policy stance by the BOJ (which has already impacted new credit availability and has influenced a marginal increase in domestic lending rates) with other headwinds including the continued strength shown by global commodity prices. While we still expect to see in the short term potential "recovery sectors" continuing to bolster growth, the risk of a recession beyond that, given the lagged impact of policy measures and the assumption of a continuation of global financial pressures makes the recession risks impossible to ignore in the medium-term.

Implications

In this context, we believe the investment outlook domestically is fairly clear. That is, the incentive to maintain adequate liquidity is high. This being twofold, a recessionary backdrop typically does not bode well for risk assets, particularly when mixed with contractionary monetary policy. The bank of Jamaica through its policy actions is therefore also rewarding the investor for prioritizing liquidity with money market rates tracking policy rates more closely than other market rates. Therefore, an investor could benefit from higher rates and enhance liquidity by investing in money market funds (with Barita's Unit trust allowing investors to do so). While this is not to say investors should shy away from equities, we now encourage more astute security selection than ever before. This is a necessity, as disposable income gets squeezed by higher prices, leading to changing consumption patterns and a weaker ability of businesses to pass on price increases. As such, this reflects the importance of opting for companies in sectors with relatively inelastic demand for their goods (pharmaceutical or companies in the medical sector such as Elite Diagnostics for e.g.) as well as ones with a wide footprint in defensive sectors such as consumer discretionary (think Grace Kennedy for example).

Investment Playbook

Barita
MAKING MONEY WORK FOR YOU.

Equities

Stock Ticker	Stock Information (As of July 1, 2022)	Analyst Outlook
WISYNCO Wisynco Group Limited	P/E: 19.59x P/B: 4.30x Price: $19.98 Div Yield: 1.50%	**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: 7.24x P/B: 1.31x Price: $44.15 Div Yield: 1.93%	**OVERWEIGHT** Given its relatively low P/E ratio and considering the Group's consistently strong performance throughout the pandemic, the market has been underpricing JMMBGL significantly, relative to its local counterparts. In recognition of this, the JMMBGL Directors approved a share buyback program which should begin in FY2022/23 which begins on April 1, 2022. Share buyback programs reduce the number of shares outstanding. As the supply of shares in the market reduces from the share buyback, share price increase is likely to follow as demand for the stock outweighs supply. JMMB Equity Report
MASSY Massy Holdings Limited	P/E: 9.72x P/B: 1.17x Price: J$ 92.33 Div Yield: 2.89%	**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

General Disclaimer:

The information contained in this Newsletter is published for **general information purposes only.** Barita Investments Limited ("Barita") makes no representations or warranties of any kind, express or implied, about the completeness, accuracy, reliability, suitability, or completeness of the information presented. Further, prices of securities may fluctuate and statements as to historical performance or financial accretion are not intended to mean that future performance or future earnings for any period will necessarily match or exceed those of any prior period. Any reliance placed on this information is at your own risk and neither Barita and its affiliates nor their directors, representatives, employees and/or associated persons assume or accept any liability or responsibility whatsoever as regards any investment decision made by any person arising from this Newsletter. There are risk factors associated with any prospective investment. Please consult your licensed investment advisor before making any investment decision.

Barita, its affiliates, directors, representatives, employees and/or associated persons may have or have had an interest or be interested in any investments or securities mentioned in this Newsletter at any time and may make a purchase and/or sale or offer to make a purchase and/or sale or act as principal or agent of any such securities or other financial instruments from time to time.

This Newsletter and the opinions therein are as at the date of this Newsletter.

Investment Playbook

Barita
MAKING MONEY WORK FOR YOU.

Equities

Stock Ticker	Stock Information (As of July 1, 2022)	Analyst Outlook
LASD Lasco Distributors	P/E: 10.81x P/B: 1.46x Price: J$ 3.13 Div Yield: 2.08%	**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 / 11.66x P/B: 0.57x / 0.74x Price: J$14.44/ US$0.12 Div Yield: 2.48% / 2.07%	**OVERWEIGHT** Sygnus' business model is built on providing capital and direction to the underbanked, targeting the middle market. To accomplish this, the Company has executed several equity raises, the most recent of which was its APO launch in December 2020. Given the increase in its weighted average number of shares, EPS growth has not mirrored the double digit growth in net profit attributable to shareholders. However, we must indicate that continued growth at this level will drive higher EPS growth, once further dilution does not occur. Moreover, the stock trades at significant discount relative to peers both from a P/E perspective and a P/B perspective. At present, the market is pricing Sygnus at a seep discount to its book value per share which we believe is very wrong.
TROPICAL **Tropical Battery Limited**	P/E: 33.41x P/B: 4.33x Price: J$ 2.94 Div Yield: 0.34%	**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: 14.24x/13.24x P/B: 1.06x/0.99x Price: J$36.18/ US$0.23 Div Yield: 3.23% / 3.00%	**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.

General Disclaimer:

The information contained in this Newsletter is published for **general information purposes only.** Barita Investments Limited ("Barita") makes no representations or warranties of any kind, express or implied, about the completeness, accuracy, reliability, suitability, or completeness of the information presented. Further, prices of securities may fluctuate and statements as to historical performance or financial accretion are not intended to mean that future performance or future earnings for any period will necessarily match or exceed those of any prior period. Any reliance placed on this information is at your own risk and neither Barita and its affiliates nor their directors, representatives, employees and/or associated persons assume or accept any liability or responsibility whatsoever as regards any investment decision made by any person arising from this Newsletter. There are risk factors associated with any prospective investment. Please consult your licensed investment advisor before making any investment decision.

Barita, its affiliates, directors, representatives, employees and/or associated persons may have or have had an interest or be interested in any investments or securities mentioned in this Newsletter at any time and may make a purchase and/or sale or offer to make a purchase and/or sale or act as principal or agent of any such securities or other financial instruments from time to time.

This Newsletter and the opinions therein are as at the date of this Newsletter.

Investment Playbook

Barita
MAKING MONEY WORK FOR YOU.

Equities

Stock Ticker	Stock Information (As of July 1, 2022)	Analyst Outlook
Lumber Lumber Depot Limited	P/E: 11.74x P/B: 5.11x Price: J$ 3.17 Div Yield: 1.89%	**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: 16.12x P/B: 4.39 Price: J$ 2.74 Div Yield: 4.01%	**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: 12.30x P/B: 1.42x Price: J$ 102.70 Div Yield: 1.88%	**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: 11.28x P/B: 2.22x Price: J$ 4.66 Div Yield: 1.56%	**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

General Disclaimer:

The information contained in this Newsletter is published for **general information purposes only.** Barita Investments Limited ("Barita") makes no representations or warranties of any kind, express or implied, about the completeness, accuracy, reliability, suitability, or completeness of the information presented. Further, prices of securities may fluctuate and statements as to historical performance or financial accretion are not intended to mean that future performance or future earnings for any period will necessarily match or exceed those of any prior period. Any reliance placed on this information is at your own risk and neither Barita and its affiliates nor their directors, representatives, employees and/or associated persons assume or accept any liability or responsibility whatsoever as regards any investment decision made by any person arising from this Newsletter. There are risk factors associated with any prospective investment. Please consult your licensed investment advisor before making any investment decision.

Barita, its affiliates, directors, representatives, employees and/or associated persons may have or have had an interest or be interested in any investments or securities mentioned in this Newsletter at any time and may make a purchase and/or sale or offer to make a purchase and/or sale or act as principal or agent of any such securities or other financial instruments from time to time.

Investment Playbook

Barita
MAKING MONEY WORK FOR YOU.

Equities

Stock Ticker	Stock Information (As of July 1, 2022)	Analyst Outlook
SEP Seprod Limited	P/E: 25.54x P/B: 2.17x Price: J$ 71.27 Div Yield: 1.82%	**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: 20.36x P/B: 9.49x Price: J$ 2.85 Div Yield: 3.86%	**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: 13.49x P/B: 0.99x Price: J$ 37.31 Div Yield: 4.24%	**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

General Disclaimer:

The information contained in this Newsletter is published for **general information purposes only.** Barita Investments Limited ("Barita") makes no representations or warranties of any kind, express or implied, about the completeness, accuracy, reliability, suitability, or completeness of the information presented. Further, prices of securities may fluctuate and statements as to historical performance or financial accretion are not intended to mean that future performance or future earnings for any period will necessarily match or exceed those of any prior period. Any reliance placed on this information is at your own risk and neither Barita and its affiliates nor their directors, representatives, employees and/or associated persons assume or accept any liability or responsibility whatsoever as regards any investment decision made by any person arising from this Newsletter. There are risk factors associated with any prospective investment. Please consult your licensed investment advisor before making any investment decision.

Barita, its affiliates, directors, representatives, employees and/or associated persons may have or have had an interest or be interested in any investments or securities mentioned in this Newsletter at any time and may make a purchase and/or sale or offer to make a purchase and/or sale or act as principal or agent of any such securities or other financial instruments from time to time.

This Newsletter and the opinions therein are as at the date of this Newsletter.

Investment Playbook

Barita
MAKING MONEY WORK FOR YOU.

Equities

Stock Ticker	Stock Information (As of July 1, 2022)	Analyst Outlook
FTNA Fontana Limited	P/E: 23.11x P/B: 6.20x Price: J$ 10.40 Div Yield: 1.73%	**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: 29.11x P/B: 17.80x Price: J$ 30.70 Div Yield: 2.61%	**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: 12.23x P/B: 21.37x Price: J$ 5.27 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

General Disclaimer:

The information contained in this Newsletter is published for **general information purposes only.** Barita Investments Limited ("Barita") makes no representations or warranties of any kind, express or implied, about the completeness, accuracy, reliability, suitability, or completeness of the information presented. Further, prices of securities may fluctuate and statements as to historical performance or financial accretion are not intended to mean that future performance or future earnings for any period will necessarily match or exceed those of any prior period. Any reliance placed on this information is at your own risk and neither Barita and its affiliates nor their directors, representatives, employees and/or associated persons assume or accept any liability or responsibility whatsoever as regards any investment decision made by any person arising from this Newsletter. There are risk factors associated with any prospective investment. Please consult your licensed investment advisor before making any investment decision.

Barita, its affiliates, directors, representatives, employees and/or associated persons may have or have had an interest or be interested in any investments or securities mentioned in this Newsletter at any time and may make a purchase and/or sale or offer to make a purchase and/or sale or act as principal or agent of any such securities or other financial instruments from time to time.

This Newsletter and the opinions therein are as at the date of this Newsletter.

Monitoring List

Barita
MAKING MONEY WORK FOR YOU.

Equities

Stock Ticker	Stock Information (As of July 1, 2022)	Analyst Outlook
MDS Medical Disposable Supplies	P/E: 19.22x P/B: 1.69x Price: J$ 7.11 Div Yield: 0.98%	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: 10.86x P/B: 1.62x Price: J$ 27.91 Div Yield: 1.54%	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: 20.17x P/B: 4.07x Price: J$ 12.71 Div Yield: 1.26%	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: 11.82x P/B: 1.65x Price: J$ 55.44 Div Yield: 2.00%	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	28/06/2022	22/06/2022	Week/Week Return	Year-to-Date Return	1 Year Return	Yield
Capital Growth	97.92	97.36	0.57%	5.88%	3.69%	-
Money Market	15.37	15.3485	0.12%	0.82%	1.92%	2.36%
Income Portfolio	100.00	100.00	0.00%	-	-	3.10%
FX Bond Portfolio (US$)	1.33	1.3209	0.33%	-4.17%	-3.42%	3.84%
Real Estate Portfolio	5,448.66	5,450.77	-0.04%	2.83%	-4.65%	-
FX Growth Portfolio	0.8627	0.8558	0.81%	-20.91%	-16.63%	-

"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 July 1, 2022, the local stock market as measured by the Combined Index advanced week over week by 1.1%. The Main Market Index advanced by 1.35%, the JSE Junior Market Index declined by 1.19%, and the JSE USD Equities Index declined by 2.54%. During the week, iCreate Limited was the largest gainer, rising 26.75% to close at $4.17. The biggest decliner was Ciboney Group Limited, which fell by 59.12% to close at $0.65.

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 26.20% YTD, outpacing its Main Market counterpart which is down 3.72% YTD.

This week, Overall Market activity resulted from trading in 61 stocks of which 36 advanced, 21 declined and 4 traded firm. The following companies represent the overall volume leaders:

1. BARITA INVESTMENTS LIMITED INARY SHARES with 22,933,364 units (25.89%);
2. WIGTON WINDFARM LIMITED ORDINARY SHARES with 14,055,382 units (15.87%);
3. CIBONEY LIMITED with 8,757,253 units (9.89%);

Revisiting relevant news during the week:

JMMB Group limited has advised that it has extended the maturity date on three (3) classes of its preference shares, two of which were to mature in January 2024 and the third in March 2025. The maturities have been extended to 2029, with two maturing in January and the third maturing in March.

Jamaica Money Market Brokers Limited (JMMB) – Extend Maturity Dates For Preference Shares

Victoria Mutual investments Limited (VMIL) and the Development Bank of Jamaica (DBJ) have entered into an agreement to jointly back the Jamaica Actus Small and Medium Enterprise Fund (JASMEF) which is a private equity investment vehicle with US$15 million in funding. The DBJ has committed US$5.5 million, including US$500,000 for technical assistance, while VMIL has committed US$10 million and will seek to raise additional capital for the fund.

DBJ, VMIL finance US$15-m fund for SMEs

JP Farms, Jamaica's largest commercial banana farm is reporting a 40% increase in export volume year-to-date. The company is taking steps to ensure that it can build on recent export success through innovations in cost management and expanding acreage on its banana, pineapple and plantain farms.

JP Farms expanding to meet export demand

Proven REIT in collaboration with infinity Capital Partners Limited will be acquiring a commercial facility in Grand Cayman. The facility spans 8,000 sq. ft. comprising warehousing and mezzanine office space and is being developed by TAG Developments Ltd. Construction is to begin later in July 2022 and is expected to be completed by February 2023. The development is expected to cost approximately US$3.2 million and will be held for rental purposes.

Proven REIT partners on commercial property acquisition in Cayman

Index	01/07/2022	24/06/2022	31/12/2021	Week/Week	Year-to-Date
JSE Main Market	386,327.32	381,186.83	396,155.61	1.35%	-2.48%
JSE Junior Market	4,337.03	4,389.47	3,428.30	-1.19%	26.51%
JSE Combined Market	400,219.74	395,884.64	401,130.23	1.10%	-0.23%
JSE USD Equities Market	214.09	219.67	195.51	-2.54%	9.50%
JSE Financial Index	91.51	91.28	98.05	0.25%	-6.67%
JSE M&D Index	108.44	107.3	100.38	1.06%	8.03%

INTERNATIONAL DEVELOPMENTS

US

Recession worries deepen

The major indexes surrendered a portion of the previous week's strong gains, as worries grew that the Federal Reserve's fight against inflation would push the economy into recession. The S&P 500 Index closed out its worst first half of the year since 1970, as was widely reported, although the decline was amplified by the index reaching its all-time high on January 3. Typically defensive segments within the index, such as utilities and consumer staples, held up best, while consumer discretionary and information technology shares were particularly weak. Markets were slated to be closed on Monday, July 4, in observance of the Independence Day holiday.

Much of the week's economic data missed consensus expectations, and some signals suggested that economic activity might even be slowing. T. Rowe Price traders noted that the selling started in earnest on Tuesday morning, when the Conference Board's index of consumer confidence came in much lower than anticipated and a measure of manufacturing activity in the Mid-Atlantic region fell to levels not seen since the height of the pandemic.

Europe

Shares in Europe fell on fears that soaring inflation and rising interest rates could hit earnings and tip economies into a recession. In local currency terms, the pan-European STOXX Europe 600 Index ended the week 1.40% lower, while Germany's DAX Index pulled back 2.33%, France's CAC 40 lost 2.34%, and Italy's FTSE MIB dropped 3.46%. The UK's FTSE 100 Index declined 0.56%, supported by a weaker British pound against the U.S. dollar. UK stocks tend to perform relatively well when the pound falls because many companies that are part of the index are multinationals with overseas revenues.

ECB's Lagarde sticks to rate path

While hawkish ECB policymakers continued to bring up the possibility of a 50-basis-point interest rate hike as early as July, ECB President Christine Lagarde reiterated guidance for an increase of 25 basis points followed by another hike in September, the size of which depending on incoming data. At the central bank's annual conference in Portugal, she stated that the ECB needed to act "in a determined and sustained manner, incorporating our principles of gradualism and optionality" to tackle elevated inflation. She also said that a larger increase in the policy rate would be more appropriate "if the medium-term inflation outlook persists or deteriorates."

UK

Record UK balance of payments deficit, manufacturing PMI revised lower

The UK's current account swung into a record deficit of GBP 51.7 billion in the first quarter—or 8.3% of gross domestic product (GDP)—partly due to the soaring costs of fuel imports. Excluding trade in precious metals, the deficit was 7.1% of GDP, matching a previous record in the final quarter of 2015.

Japan

Worsening sentiment among Japan's large manufacturers and a bigger-than-expected drop in industrial production also weighed on risk appetite. Meanwhile, record temperatures and concerns about power shortages prompted the government to signal a renewed reliance on nuclear reactors. Against this backdrop, the yield on the 10-year Japanese government bond finished the week broadly unchanged at 0.23%. The yen remained near a 24-year low against the U.S. dollar—with weakness mainly attributable to the divergent monetary policies of the Bank of Japan (BoJ) and the U.S. Federal Reserve—finishing the week at the low end of the JPY 135 range.

T.RowePrice Market Data

Index	01/07/2022	24/06/2022	31/12/2021	Week/Week	Year-to-Date
Dow Jones	31,097.26	31,500.68	36,338.30	-1.28%	-14.42%
S&P 500	3,825.33	3,911.74	4,766.18	-2.21%	-19.74%
NASDAQ 100	11,585.68	12,108.80	16,320.08	-4.32%	-29.01%
FTSE 100	7,232.65	7,211.07	7,384.54	0.30%	-2.06%
Euro Stoxx 50	3,448.31	3,533.17	4,298.41	-2.40%	-19.78%

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*