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Analyst Insight

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The American Debt Ceiling – A Reoccurring Political and Economic Issue

Introduction – What is a National Deficit? ?

Like a household that budgets living expenses against the income its members earn from work, savings and investments, national governments also must budget their expenses during a period against the revenues it generates in that period. A budget deficit occurs when the money going out (spending) exceeds the money coming in (revenue) during a defined period. The opposite of a budget deficit is a budget surplus, which occurs when the federal government collects more money than it spends. A government typically collects money through taxes; in the US half of federal revenues come from individual income taxes, while corporate income tax, sales tax, customs duties and payroll tax makes up the remaining revenue. In turn, the US government primarily spends money on Social Security, National Defense, Medicare, Interest on its debt and assistance to its individual states.

Importantly, the US has long operated in a regime where its total spending exceeds its total revenues resulting in a national deficit which currently stands at US$1.38 trillion per year. When a national government operates in a deficit, it must borrow money through the issuance of bonds, bills and other securities; that is a nation must increase the total amount of national debt to fund its deficits. The national debt is an accumulation of national deficits over time and the United States' national debt currently stands at US$31.47 trillion or 124% of GDP.

The Debt Ceiling

In 1917 ahead of the First World War, the United States acted to provide more flexibility to aid its involvement in the war by modifying how Congress authorized the issuance of new debt. Under this new act with greater flexibility to increase the national debt, Congress also established an aggregate limit (ie. A ceiling) on the total amount of new debt that could be issued in the form of Liberty Bonds. This concept was further expanded in 1939 to cover all debt instruments that could be issued at an aggregate limit of $65 billion. As the United States funded its deficits through the Second World War, the limit was raised to $300 billion by 1945. After relative stability in this limit through the 1950s, the US has since raised the ceiling 74 times from 1962 to 2011. Despite the debt ceiling being raised frequently, the issue often time comes with much political friction, tension and potential economic impacts.

For example, in 1995 the United States Federal Government was shut-down due to the conflict between the Democratic President Clinton and the Conservative Republican Congress who threatened to not raise the debt ceiling while demanding a smaller Government with less federal funding for items such as education, public health and the environment. The ceiling was eventually raised after a revised spending plan proposed by Clinton and the government shutdown was resolved.

In 2011, a very similar situation happened where Republicans in Congress once again used the debt ceiling as leverage for deficit reduction, however, the fallout from this conflict was more severe than in the past. During the crisis, the United States came within two days of reaching the existing limit which would have resulted in the Treasury having no option but to either default on payments to bondholders or to immediately cut payments of funds owed to companies and individuals mandated by Congress; both options would lead to severe international financial implications.

Following the resolution and raise of the debt ceiling on July 31, 2011, the national debt rose $238 billion (or about 60% of the new debt ceiling) on August 3, the largest one-day increase in the history of the United States. The US debt surpassed 100% of GDP for the first time since World War II. Additionally, the agreement involved significant budget cuts which immediately lead to the largest drop in equities markets since the Great Recession. On August 5th, 2011 the Standard & Poor's credit rating agency downgraded the long-term credit rating of the United States government for the first time in its history, from AAA to AA+. The 2011 debt ceiling crisis had the most severe impact on Global markets when compared to any other prior contention around the debt ceiling in the past.

Since 2011, debt ceiling issues have frequently occurred with further crises happening in 2013, 2021 and most recently in early 2023. On January 19th, 2023, the United States hit its debt ceiling leading to a new crisis. The Treasury enacted extraordinary measures in order to avoid a US default on its outstanding debt that was anticipated to be exhausted by June 5th, 2023. On June 3rd, 2023 President Biden reached an agreement with the Republican House to raise the ceiling but to cap federal spending to avoid a crisis.

What do Debt Ceiling Crises mean for Global Finance?

The United States continues to operate in a deficit and continues to grow national debt and as a result, the debt ceiling issue will continue to exist. Generally, both parties in the US Government agree to raise the debt ceiling without much conflict, in situations like the most recent debt ceiling conflict, the possibility does exist for global financial market distress.

Should the US breach the debt ceiling and default on its debt obligations, Mark Zandi, Chief Economist of Moody's Analytics, predicted that even with a brief default, a "crisis, characterized by spiking interest rates and plunging equity prices, would be ignited. Short-term funding markets, which are essential to the flow of credit that helps finance the economy's day-to-day activities, likely would shut down as well." In more real terms a short default could cause a decline in GDP cause up to 2 million job losses and significantly affect the current position of US debt as the lowest-risk global financial instrument.

While the debt ceiling is an ongoing issue that grabs significant news coverage due to the nature and severity of the potential consequences, it must be noted that the ceiling has acted in the way originally intended; to regulate US government spending and to keep the US government more fiscally responsible than it would be without it. Additionally, the ceiling has been raised throughout any conflicts between parties with no signs of Congress moving on to any alternatives. The biggest risk around the ongoing debt ceiling debates seems to be general volatility in markets or further downgrades of the long term credit rating of the country by the various rating agencies.

Investment Playbook

EQUITIES

Stock Ticker	Stock Information (as at June 2, 2023)	Comments
WISYNCO Wisynco Group Limited	P/E: 14.87x P/B: 3.43x Price: $18.88 Div Yield: 2.12%	**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: 7.6x P/B: 1.22x Price: $29.86 Div Yield 0.84%	**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. JMMBGL's price has declined by 5.8% YTD which provides investors with an opportunity to acquire JMMBGL shares at a more attractive price. The long-term outlook for the company and the stock remains favorable, buoyed by an expanding regional footprint. In July JMMBGL closed on its acquisition of a commercial bank in the Dominican Republic (DR) which now enables the company to offer a full range of financial services in the market. The DR operations currently contributes 17% of net operating revenue and we will be keen to watch the effect of the expansion to JMMBGL's performance over the next few quarters. JMMB Equity Report
MASSY Massy Holdings Limited	P/E: 10.24x P/B: 1.25x Price: $100.02 Div Yield 3.5%	**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

UNDERWEIGHT
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Investment Playbook

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LASD Lasco Distributors	P/E: 7.6x P/B: 1.22x Price: $2.93 Div Yield 3.07%	**OVERWEIGHT** Lasco Distributors has continued its growth trajectory, displaying resilience throughout the pandemic, and we expect this to continue post-pandemic supported by the improving economic backdrop of the global economy. As continued domestic demand for goods and services remain strong, the company is also looking to strengthen its exports as well as continue to launch new product lines. However, this isn't without challenges as global supply shocks has affected LASD's gross margins. In response, management has prudently managed operational costs such that higher imported inflationary costs has not completely eroded the bottom line, resulting in continued growth. Lasco Distributors Equity Report
SCIJMD/SCIUSD Sygnus Credit Investments	P/E: 9.35x / 11.11x P/B: 0.72x / 0.85x Price: $12.79 / $0.1 Div Yield: 3.13% / 2.62%	**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 capital raises involving equity, preference shares and debt raise. Sygnus has demonstrated their commitment to growth and being the market leader in the regional private credit space with their acquisition of a Puerto Rico-based, private credit firm, Acrecent Financial in Q3 of their financial year. This acquisition has significantly added to the group's income and overall profitability. The stock trades at significant discount relative to peers both from a P/E perspective and a P/B perspective. At present, given Sygnus' strong current and expected future growth, the market is pricing Sygnus at a steep discount to its book value per share. Sygnus Credit Investments Equity Report
TROPICAL Tropical Battery Limited	P/E: 13.16x P/B: 2.47x Price: $2 Div Yield 1%	**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

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PROVENJMD/ PROVENUSD Proven Group Limited	P/E: 22.81x / 22.47x P/B: 0.93x / 0.87x Price: $26 / $0.17 Div Yield: 3.12% / 3.09%	**OVERWEIGHT** Proven has shown a decline in profitability throughout the current financial year, a performance driven by lower share of earnings of associates and higher operating expenses. The company continues to demonstrate its appetite for growth through acquisitions as evidenced by the recent 100% acquisition of Fidelity Bank (Cayman). The company has a history of acquiring companies with accretive value. We expect that profit margins will improve in the future as one-off spending related to recent acquisitions pass.
LUMBER Lumber Depot Limited	P/E: 10.52x P/B: 2.84x Price: $2.21 Div Yield 2.35%	**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 financial year 2022 revenue and net profit are 10.1% and 26.8% higher than financial year 2021 revenue and earnings, respectively. 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 Depot Equity Report
LAB The Limners and Bards Limited	P/E: 24.67x P/B: 3.83x Price: $2.22 Div Yield 4.07%	**OVERWEIGHT** The LAB saw strong demand for its services throughout the pandemic, with revenue growth of 35% in FY2021. For the latest financial year revenue grew by approximately 10%, an indication of continued demand for the Company's services. However, net profit declined by 7% primarily due to higher administration costs, currency translation losses and losses on "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 2022 FY was the first full operational year for SCOPE, which saw take up of its services offered while it continues to explore additional revenue streams. With the LAB consistently positive operating cash flows and a current cash balance that is 1.64x larger than the Company's current liabilities, we believe the Lab is poised to invest its capital efficiently towards further growth. The LAB Equity Report

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Investment Playbook

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JBG **Jamaica Broilers Group Limited**	P/E: 7.57x P/B: 1.71x Price: $34.92 Div Yield 1.92%	**OVERWEIGHT** JBG's financial performance has rebounded nicely from the lows seen in FY2020, driven by the recovery in the Jamaican economy and tourist arrivals, coupled with JBG's growing presence in the US market and the increasing production of the Best Dressed Chicken line of products. The loss making Haiti operation has been discontinued which should contribute to improved margins in the coming quarters. Positive results from expansion into the United States and recovery in Jamaican operations, along with stringent cost control have contributed to the surge in profitability in the first half of the 2023 financial year. Jamaica Broilers Group Equity Report
SEP **Seprod Limited**	P/E: 15.7x P/B: 1.83x Price: $71.6 Div Yield 2.09%	**OVERWEIGHT** Seprod saw its financial performance surge for the 2022 financial year, owing to the strategic acquisition of AS Bryden, with revenues and net profit growing by 82% and 93% respectively. Going into the 2023 financial year, we expect easing of supply chain pressures, stability in commodity prices, and further consolidation of profits from AS Bryden to further lift net profits. Along with new products, Seprod also plans to aggressively target growth in export markets and is currently in the process of making necessary investments to increase capacity of its margarine plant. Seprod Limited Equity Report
LASM **Lasco Manufacturing**	P/E: 8.34x P/B: 1.56x Price: $4.2 Div Yield 2.38%	**OVERWEIGHT** We expect that the Company's growth trajectory will be sustained, however, in the short term, the financial results have seen an impact from the overall macroeconomic conditions since the pandemic. Margins across the board have been compressed despite record profitability in 2022. Despite continued record tourism arrivals and growth in key sectors such as entertainment, steps need to be taken to restore margin progression. Against this backdrop it is notable that inflationary pressures and supply issues that plagued the company from 2022 to the first quarter of this year will likely begin to ease in the spring of 2023, suggesting a rebound in net profit growth for the company moving forward beyond FY 2023. Plans to further expand its geographical footprint by driving the contribution of export to its revenue will be value-added to the long-term sustainability of the Company's operations Lasco Manufacturing Equity Report

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Investment Playbook

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GK GraceKennedy Limited	P/E: 10.55x P/B: 1.05x Price: $78.91 Div Yield 2.56%	**MARKETWEIGHT** For the year ended December 31, 2022, GK reported significant top-line growth, however, margin deterioration contributed to a decline in the bottom line. Revenues increased by 10.5% while profits saw a 15.1% decline of flat as operating expenses grew at a faster rate than revenues. The company cited challenges presented by high inflation globally, sustained supply chain issues, increasing interest rates, and foreign currency volatility as issues that have affected profit margins. GK continues to advance its merger & acquisition (M&A) strategy, after it increased its stake in Catherine's Peak Bottling Company Limited in the first quarter of 2023 to move its ownership stake from 35% to 70%, thus granting them a stronger position in the spring water market. The company continues to seek M&A transactions locally and internationally. These acquisitions stand to add more diversity and growth to the company's earnings. GraceKennedy Group Equity Report
MAILPAC Mailpac Group Limited	P/E: 16.08x P/B: 7.57x Price: $1.93 Div Yield 8.81%	**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 demand driven by pandemic restrictions has passed and while we anticipate online shopping will remain integral for the everyday consumer, the outsized growth we witnessed in FY2020 and FY2021 will not be repeated. 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. However, the current slowdown in demand and consequently revenue and profit growth underscores our MARKETWEIGHT recommendation Mailpac Group Equity Report
SGJ Scotia Group Jamaica Limited	P/E: 8.93x P/B: 1.03x Price: $34.73 Div Yield 4.03%	**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. The group has made an accelerated effort to digitize its business in line with its digital strategy to drive efficiency and better service customer needs. SGJ is looking to further consolidate its operations and funnel investments in core operations through technology and talent, while also looking to enter new markets and launch new products. 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

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FTNA Fontana Limited	P/E: 15.59x P/B: 4.58x Price: $9.51 Div Yield 2.1%	**MARKETWEIGHT** Fontana has been growing and expanding since listing on the junior exchange in 2019. The Company has plans to expand, which include a new outlet to bring its footprint to a total of seven locations. In its most recent quarter, Net Profit saw a 32.7% increase over the same quarter in the prior financial year. Further, the 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 increased finance costs, 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: 25.74x P/B: 11.34x Price: $26.83 Div Yield 3.46%	**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: 19.82x P/B: 10.05x Price: $4.91 Div Yield 0%	**MARKETWEIGHT** ECL has seen improved performance as the tourism industry rebound, following the pandemic, has been robust. 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. While we do expect the tourism industry to continue to recover, driving ECL's revenues to grow and likely surpass pre-covid levels by FY2023/FY2024, the inflationary pressures can not be ignored. Longer-term we do expect the company to reap the benefits of their expanded footprint within the Sangsters International Airport as well as the return to trend growth in stopover arrivals. ECL Equity Report

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Monitoring List

EQUITIES

Stock Ticker	Stock Information (as at June 2, 2023)	Comments
SOS Stationery & Office Supplies Limited	P/E: 15.28x P/B: 3.57x Price: $15.74 Div Yield 1.14%	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: 10.43x P/B: 2.33x Price: $49.75 Div Yield 3.22%	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" represents 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.*

Investment Playbook

EQUITIES

Stock Ticker	Stock Information (as at June 2, 2023)	Comments
VMIL Victoria Mutual Investments Limited	P/E: 7.74x P/B: 1.76x Price: $3.59 Div Yield: 0.00%	**OVERWEIGHT** Victoria Mutual has recently rebranded under the "VM Group". By association, there has been implications for VMIL. For example, the Company has been significantly more active in the capital markets through its investment banking arm. We expect continued growth in the investment banking space will add considerable value to the Company's bottom line which has already shown clear improvement throughout FY2021. VMIL Equity Report

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Unit Trust

Unit Trust Fund	31/05/2023	17/05/2023	Week/Week Return	Year-to-Date Return	1 Year Return	Yield
Capital Growth	80.56	80.08	0.60%	-15.92%	-19.30%	-
Money Market	15.8367	15.8166	0.13%	1.94%	3.07%	4.70%
Income Portfolio	100.00	100.00	0.00%	-	-	5.74%
FX Bond Portfolio (US$)	1.3717	1.3657	0.44%	2.29%	2.12%	4.79%
Real Estate Portfolio	12,305.97	12,285.01	0.17%	55.05%	2155.97%	-
FX Growth Portfolio	0.87	0.8732	0.06%	3.31%	-6.12%	-
FX Income Accumulator	1.01	1.01	-0.08%	0.41%	-	2.37%

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

Warren Buffett

LOCAL EQUITY MARKET

For the week ended June 2, 2023, the local stock market as measured by the Combined Index declined by 0.30%. The Main Market Index declined by 0.43%, the Junior Market Index advanced by 0.94%, and the JSE USD Equities Index advanced by 13.30%. During the week, Caribbean Flavours and Fragrances was the largest gainer, rising by approximately 38.52% to close at $1.69. The biggest decliner was FOSRICH which fell by 25.09% to close at $2.09.

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Large-cap stocks, reflecting those listed on the Main Market Index are underperforming on a YTD basis, declining by 5.70%, relative to its Junior Market counterpart which has declined by 5.04%.

For the week ended June 2, 2023, overall market activity resulted from trading in 122 stocks of which 61 advanced, 51 declined and 10 traded firm. Market volume amounted to 140,001,560 units valued at over $582,258,398.08. Transjamaican Highway Limited was the volume leader with 48,715,946 units (34.29%), followed by Fosrich Company Limited with 12,651,079 units (8.90%), and Wigton Windfarm Limited with 12,173,916 units (8.57%).

Revisiting relevant news during the week:

Spur Tree sets sight on Europe, Africa

Spur Tree Spices, the Kingston-based manufacturer known mostly for its wet seasonings and spices, has set it sights on pushing its products into Europe and Africa as it plots to diversify its product offerings to become a full-fledged food company.

Spur Tree sets sight on Europe, Africa

Caymanas Park profitable and expanding opportunities

Supreme Ventures Racing & Entertainment Limited (SVREL) turned a profit from the loss-making Caymanas Track Limited (CTL) as it looks to expand the earning potential of the horse racing track locally and internationally.

Caymanas Park profitable and expanding opportunities

GK plans line extension of water products

Now controlling 70 per cent of Catherine Peak and 100 per cent of 876 spring water brands, food and financial services group GraceKennedy Limited (GK) is looking to further grow its two line of bottled water products with new variations.

GK plans line extension of water products

Dolla Financial bullish on expansion

Local microcredit provider Dolla Financial is in the process of pursuing expansion opportunities but may be hampered by the new Microcredit Act, among other challenges.

Dolla Financial bullish on expansion

Indies Pharma records strong performance

Junior Market-listed pharmaceutical company Indies Pharma reported a strong financial performance for 2022 and advancements in its drug development initiatives during its annual general meeting on Wednesday, May 31, in Montego Bay.

Indies Pharma records strong performance

Economy grows 2.7 per cent Jan-Mar

As the local economy continues its growth momentum, now above that of pre-pandemic levels, the Planning Institute of Jamaica (PIOJ) in its latest preliminary estimates has reported real value-added for gross domestic product (GDP) of approximately 2.7 per cent for the first quarter of 2023.

Economy grows 2.7 per cent Jan-Mar

Index	02/06/2023	26/05/2023	31/12/2022	Week/Week	Year-to-Date
JSE Main Market	335,597.54	337,061.22	355,896.64	-0.434%	-5.704%
JSE Junior Market	3,785.33	3,750.17	3,986.44	0.94%	-5.04%
JSE Combined Market	347,786.24	348,830.07	368,591.98	-0.30%	-5.64%
JSE USD Equities Market	238.16	210.20	233.97	13.30%	1.79%
JSE Financial Index	75.25	75.46	85.88	-0.28%	-12.38%
JSE M&D Idex	100.58	100.86	97.42	-0.28%	3.24%

INTERNATIONAL DEVELOPMENTS

U.S.

The major benchmarks ended with solid gains for the week, with the S&P 500 Index touching its highest intraday level since mid-August 2022. The technology-heavy Nasdaq Composite Index notched its sixth consecutive weekly gain and hit its best level since mid-April 2022. In contrast with the past several weeks, however, the rally was broad-based, with strong gains in both value and growth stocks, as well as small-caps. Markets were closed on Monday in observance of Memorial Day.

Investors shrug off debt ceiling agreement

News that the White House and Republican congressional leaders had reached an agreement over the preceding weekend to raise the federal debt limit and stave off a default on governmental obligations seemed to have limited impact on sentiment—perhaps because enough signals had previously emerged that a deal was imminent. The House of Representatives passed the bill by a surprisingly large margin on Wednesday, but this also seemed to have limited impact on markets. After the Senate's passage of the measure late Thursday, the bill headed to President Joe Biden on Friday for his signature into law.

Instead, investors appeared to return their attention to economic data. On Wednesday, stocks pulled back following news that job openings rebounded much more than expected in April and hit their highest level (10.1 million) since January. March's data were also revised higher. The probability of a mid-June Federal Reserve interest rate hike priced into futures markets jumped to 71% on the news—compared with only 23% a month earlier.

Cooling factory prices bode well for inflation

Another encouraging sign for interest rates and investors was the release Thursday of the Institute for Supply Management's (ISM's) Manufacturers Purchasing Managers' index for May. The ISM's gauge showed a seventh straight monthly contraction in factory activity, as expected. Encouragingly, however, prices paid for supplies and other inputs by manufacturers contracted at the fastest pace since December, defying expectations for a modest increase.

The encouraging inflation signals appeared to drive a decrease in longer-term U.S. Treasury yields, while the finalization of a debt ceiling agreement led to a plunge in the yield on one-month Treasury bills, from 6.02% intraday the previous Friday to 5.28% at the end of the week.

Europe

In local currency terms, the STOXX Europe 600 Index was little changed. The pan-European index clawed back losses after data showed that eurozone inflation had slowed, and the U.S. Senate approved a bill to suspend the statutory limit on government borrowing. Major stock indexes were mixed. The UK's FTSE 100 Index eased 0.26%, while France's CAC 40 Index gave back 0.66% of its value. In Italy, the FTSE MIB advanced 1.33%. Germany's DAX climbed 0.42%.

Eurozone inflation slows but ECB policymakers warn on rates

Headline inflation in the eurozone slowed to an annual 6.1% in May from 7.0% in April—below a FactSet consensus estimate of 6.3%. The core rate—which excludes volatile food and fuel prices—came in at 5.3%, which was also an improvement from the prior month and below expectations.

European Central Bank (ECB) President Christine Lagarde reiterated in a speech that inflation was still too high and "it is set to remain so for too long." She added: "That is why we have hiked rates at our fastest pace ever—and we have made clear that we still have ground to cover to bring interest rates to sufficiently restrictive levels." The minutes of the ECB's May meeting showed most policymakers voted to slow the pace of rate increases to a quarter point but signaled an appetite to tighten monetary policy further.

Eurozone confidence falls to six-month low

A European Commission survey showed that economic sentiment weakened more than expected, with this indicator slipping to 96.5 in May—its lowest level since November 2022. A stagnating economy, elevated inflation, and rising interest rates weighed on morale. Sentiment deteriorated among manufacturers, service providers, retailers, and constructors. However, consumers were slightly less pessimistic, as households became more positive about their financial situation.

Japan

Amid continued strong foreign investor interest, Japanese equities rose over the week, with the Nikkei 225 Index rising 1.97% and the broader TOPIX Index up 1.72%. The indexes reached fresh 33-year highs, with the gains supported by strong domestic earnings and yen weakness. Sentiment was also aided by the passage of the U.S. debt ceiling bill and the avoidance of default, as well as some indications that the U.S. Federal Reserve could pause its interest rate hikes in June.

T.RowePrice

Index	02/06/2023	26/05/2023	31/12/2022	Week/Week	Year-to-Date
Dow Jones	33,762.76	33,093.34	33,147.25	2.02%	1.86%
S&P 500	4,282.37	4,205.45	3,839.50	1.83%	11.53%
NASDAQ 100	14,546.64	14,298.41	10,939.76	1.74%	32.97%
FTSE 100	7,607.28	7,627.20	7,451.74	-0.26%	2.09%
Euro Stoxx 50	4,323.52	4,337.50	3,793.62	-0.32%	13.97%

ABOUT US

Barita Investments Limited, is a publicly-traded company on the JSE, 74.3% owned by Cornerstone Financial Holdings Limited ("Cornerstone").

The Barita Group is made up of Barita Investments Limited and its subsidiary, Barita Unit Trusts Management Company Limited (BUTM). Founded by Rita Humphries-Lewin in 1977, Barita has the distinction of being one of the oldest stock brokerages in Jamaica. The Company is regulated by the Financial Services Commission (FSC), is a member of the JSE and is licensed as a Primary Dealer and Cambio Dealer by the Bank of Jamaica (BOJ or the Central Bank). In August 2018, Cornerstone Financial Holdings Limited (Cornerstone or CFHL) acquired majority shares in Barita and has supported the Company's mission and vision to be a premier investment force in Jamaica and the wider Caribbean.

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BUTM currently offers six (6) unit trust products spanning fixed income, equities and real estate and is recognised as a strong player in the middle market retail segment and a leader in unit trust performance.

Barita serves its clients island-wide through its Head Office in Kingston and branches in Mandeville and Montego Bay with a team of 163 members across its operations island-wide.

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