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Analyst Insight

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Monetary Policy Outlook

The current monetary policy rate, the rate paid on overnight deposits of Deposit-Taking Institutions (DTI's) at the Central Bank currently stands at 7.0%. This comes as the Bank of Jamaica (BOJ) raised rates for the first-time effective October 2021 from 0.50% to 7.0% on November 2022, and has paused since then. The pause, at the time it was initially announced, occurred in the context of the following factors which we have deemed important, namely:

- Favorable expected inflation trajectory. In November 2022, the BOJ was projecting inflation to fall to its target band of 4-6% by December 2023.
- Continued strong domestic GDP growth.
- BOJ expectation of a pause in the Federal Reserve hiking cycle mid to late 2023. Connected to this is the expectation of a continuing albeit less negative rate differential with the US.
- Adequate Net international reserves from which the central bank can use to maintain orderly conduct in the foreign exchange market.

Hence in this piece, we will go over the importance of these points and how they have developed since the BOJ first announced its intentions for a pause, and how their trajectory likely impacts the monetary policy stance.

Declining Inflation and Strong domestic growth

Inflation originally declined faster than projected. The latest reading from STATIN came in at 6.1% with the headline rate likely to fall firmly within the BOJ's 4-6% bound around or even before their projected timeline. While the last inflation expectations survey was in April, it would not be surprising if likewise, expectations continue to decline with this headline rate. The current high-interest rate environment is thus more restrictive now than it was at the peak of the inflation cycle.

Despite this seemingly more restrictive monetary policy condition, the domestic economy has continued its strong growth. This is led by an overperformance of the tourism sector. To place this into perspective the BOJ in their November 2022 forecast expected growth to be within the region of 3.0-4.5% for Fiscal year 2022/23. This compares to actual growth of 4.7% for the 2022/23 fiscal year. Further to this, growth is projected to be to the tune of over 2% in the long run (based on IMF forecasts) which is notably above the historic rate of growth of Jamaica. This potentially points to growth being above potential, with this being highlighted in the local media recently by the BOJ. Above potential growth essentially means the economy is producing above its long-run capacity which tends to be inflationary over the long run.

Exchange rate, NIR, and US interest rates

While they do not state it explicitly, the exchange rate is an effective tool in controlling domestic inflation. Notably when the pause was announced, the BOJ still made clear their intention to restrict J$ liquidity to ensure stability in the exchange rate market and temper pass-through inflation (a more depreciated currency leading to higher domestic prices for imported goods). At the time the NIR was deemed adequate to enable intervention if needed. Since then, the NIR has grown to a record US$4.3 billion. Meaning the BOJ likely has ample power to maneuver in the foreign exchange market.

One of the key drivers of the Exchange rate particularly in the short run however is the monetary policy stance of the US. Hence the BOJ will and has been monitoring this closely to keep this rate differential manageable. To understand how this impacts devaluation think about current rates, with 6-month US treasuries as of July 10, 2023, trading at approximately 5.53% vs 7.86% for our domestic 6-month tbill. In this scenario, if you expect the currency to depreciate by more than the rate difference, the US Tbill becomes more attractive. Now imagine if people think this en mass and opt to sell J$ for US$. Hence keeping the interest rate differential low reduces the demand for foreign investment products. A high enough differential can also outweigh expectations of depreciation further bolstering the relative attractiveness of J$ products.

So what's the bottom Line?

Now in deriving our view on the monetary policy's short-term outlook, we pull these different facts together. There has been a significant improvement on the inflation front which has likely made the current monetary policy stance more restrictive. This is somewhat counterbalanced by evidence suggesting that growth is currently above potential and hence has the potential to be inflationary in the medium to long term. In this case, barring shocks to inflation we would not expect the BOJ to enact drastic cuts given the potential to overheat the economy in the medium term, despite inflation falling back to target in the near term.

Given the current band for what is commonly thought to be neutral rate territory (give or take +/- 2.5% in real terms) assuming inflation and inflation expectations fall back to the midpoint of the target band by year-end or early 2024, there is a slight scope for a cut in rates before we re-enter a neutral territory (enter the midpoint of neutral territory). However, the aforementioned guesstimate that the economy is running above potential, in our opinion may stop the central bank from considering deeper cuts into less neutral/accommodative territory. This may translate to a longer pause and when the cuts do happen, they are likely to be more moderate.

In summary, there are plenty of conflicting indicators. The fast decline in inflation is counterbalanced by the potential medium to the short-term risk of demand-pull inflation and the need to maintain a rate differential to boost J$ asset demand and slower imported inflation to mitigate upside inflationary risks. These culminate in our belief that any possible rate cuts are likely to be moderate initially in the medium term. In summary rate cuts next year are not off the cards, but don’t expect pre-pandemic lows given the strong domestic economy. Regards

Investment Playbook

EQUITIES

Stock Ticker	Stock Information (as at July 7, 2023)	Comments
WISYNCO Wisynco Group Limited	P/E: 14.21x P/B: 3.28x Price: $18.05 Div Yield: 2.22%	**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: 7.66x P/B: 1.23x Price: $30.12 Div Yield 0.83%	**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: 10.41x P/B: 1.23x Price: $98.93 Div Yield 3.54%	**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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LASD Lasco Distributors	P/E: 9.32x P/B: 1.50x Price: $3.59 Div Yield 2.51%	**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: 9.14x / 12.21x P/B: 0.70x / 0.94x Price: $12.50 / $0.11 Div Yield: 3.21% / 2.38%	**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: 13.49x P/B: 2.53x Price: $2.05 Div Yield 0.98%	**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: 19.64x / 18.05x P/B: 0.80x / 0.70x Price: $22.39 / $0.14 Div Yield: 3.63% / 3.84%	**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: 10.62x P/B: 2.68x Price: $2.23 Div Yield 2.33%	**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: 55.00x P/B: 3.70x Price: $2.20 Div Yield 4.11%	**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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JBG **Jamaica Broilers Group Limited**	P/E: 7.99x P/B: 1.67x Price: $35.40 Div Yield 1.89%	**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: 15.98x P/B: 1.86x Price: $72.88 Div Yield 2.06%	**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: 9.51x P/B: 1.78x Price: $4.79 Div Yield 2.09%	**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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GK GraceKennedy Limited	P/E: 10.34x P/B: 1.03x Price: $77.37 Div Yield 2.61%	**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: 15.83x P/B: 7.45x Price: $1.90 Div Yield 8.95%	**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: 7.63x P/B: 0.97x Price: $34.10 Div Yield 4.11%	**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: 18.43x P/B: 5.41x Price: $11.24 Div Yield 1.78%	**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: 27.59x P/B: 12.16x Price: $28.76 Div Yield 3.23%	**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: 21.23x P/B: 10.76x Price: $5.26 Div Yield: N/A	**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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VMIL Victoria Mutual Investments Limited	P/E: 7.35x P/B: 1.67x Price: $3.41 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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Monitoring List

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SOS Stationery & Office Supplies Limited	P/E: 26.51x P/B: 6.19x Price: $27.31 Div Yield 0.66%	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: 9.96x P/B: 2.22x Price: $47.50 Div Yield 3.37%	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.*

Unit Trust

Unit Trust Fund	05/07/2023	28/06/2023	Week/Week Return	Year-to-Date Return	1 Year Return	Yield
Capital Growth	78.22	78.36	-0.18%	-18.37%	-21.86%	-
Money Market	15.9119	15.9224	-0.07%	2.42%	3.50%	4.77%
Income Portfolio	100.00	100.00	0.00%	-	-	5.60%
FX Bond Portfolio (US$)	1.3777	1.3768	0.07%	2.74%	4.04%	4.96%
Real Estate Portfolio	12,700.18	12,257.49	3.61%	60.04%	452.65%	-
FX Growth Portfolio	0.9002	0.8918	0.94%	6.45%	4.73%	
FX Income Accumulator	1.0063	1.0085	-0.22%	0.50%	-	2.47%

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

Warren Buffett

LOCAL EQUITY MARKET

For the week ending July 7, 2023, the local stock market, measured by the Combined Index, declined by 1.39%. The Main Market Index declined by 1.63%, the Junior Market Index advanced by 0.68%, and the JSE USD Equities Index declined by 4.91%. During the week, Ciboney Group Limited was the largest gainer, rising by approximately 62.07% to close at $1.41. First Rock Real Estate Investments Limited (USD) was the biggest decliner, which fell by 27.27% to close at USD 0.04.

Large-cap stocks, reflecting those listed on the Main Market Index are underperforming on a YTD basis, declining by 8.22%, relative to its Junior Market counterpart which has advanced by 0.62%.

For the week ending July 7, 2023, overall market activity resulted from trading in 120 stocks of which 38 advanced, 71 declined and 11 traded firm. Market volume amounted to 171,686,879 units valued at over $1,069,981,229.40. JMMB Group 7.25% VR JMD CR Preference Shares was the volume leader with 50,641,419 units (29.00%), followed by Transjamaican Highway Limited with 16,234,823 units (9.30%), and by Ciboney Group Limited with 14,213,770 units (8.14%).

Revisiting relevant news during the week:

Lasco Distributors expanding distribution range
Amidst its search for an acquisition target, Lasco Distributors Limited (LASD) has continued to expand the distribution of products under the various consumer categories while it plots a path to expanding its footprint in export markets.
Lasco Distributors expanding distribution range

SOS eyes $2-b sales mark
Propelled by new partnerships, regional expansion, and continued growth across its business, Stationery and Office Supplies (SOS) has set its focus on reaching $2 billion in sales by the end of this financial year.
SOS eyes $2-b sales mark

FosRich aims to double PVC production
FosRich Group of Companies is looking to expand its PVC production and double its capacity within the next 24 months. During a tour of the 6,000-square-foot production plant in St Andrew on Wednesday, the FosRich team took the Jamaica Observer through the process, from start to finish, of the manufacturing of its PVC pipes. The plant has the capacity to manufacture 16 million (kg) of raw materials per annum.
FosRich aims to double PVC production

Digicel bondholders to take 62% stake
Telecoms giant Digicel has agreed to yield a 62 per cent stake to bondholders in debt-to-equity exchange that comes in the wake of the company's restructuring.
Digicel bondholders to take 62% stake

EduFocal goes after training opportunities in Africa
Education technology firm EduFocal Limited, through its latest expansion to Lagos, Nigeria, is looking to take advantage of emerging teacher training opportunities which have presented themselves in the African country.
EduFocal goes after training opportunities in Africa

Finsac offloads Ciboney after two decades
Financial Sector Adjustment Company (Finsac) Limited was able to enter an agreement last Thursday to dispose of its interest in Ciboney Group Limited which has lingered on its balance sheet after taking over its previous parent, the former Crown Eagle Life Insurance Company Limited, in late 1997.
Finsac offloads Ciboney after two decades

Index	07/07/2023	30/06/2023	31/12/2022	Week/Week	Year-to-Date
JSE Main Market	326,625.92	332,034.93	355,896.64	-1.63%	-8.22%
JSE Junior Market	4,011.23	3,984.23	3,986.44	0.68%	0.62%
JSE Combined Market	341,482.60	346,282.53	368,591.98	-1.39%	-7.35%
JSE USD Equities Market	243.84	256.42	233.97	-4.91%	4.22%
JSE Financial Index	71.45	72.95	85.88	-2.06%	-16.80%
JSE M&D Idex	101.19	101.58	97.42	-0.38%	3.87%

INTERNATIONAL DEVELOPMENTS

U.S.

Stocks move lower in quiet trading

Stocks closed lower in a generally quiet week, which T. Rowe Price traders attributed to the holiday-shortened week and investors awaiting the release of second-quarter earnings reports. Growth stocks held up modestly better than value shares. Tesla, which has a heavy weighting in the Nasdaq Composite and growth indices, provided a boost after reporting better-than-expected sales, as did its smaller electric vehicle rival, Rivian. Conversely, disappointing trial results for AstraZeneca's new lung cancer drug weighed on the health care sector. Markets closed early Monday and were shuttered Tuesday in observance of the Independence Day holiday.

Minutes reveal hawkish Fed outlook

The main factor weighing on sentiment during the week appeared to be Wednesday's release of the minutes from the Federal Reserve's last policy meeting. The minutes revealed that, while the decision not to raise rates in June was unanimous, some members would have preferred another increase. Expectations that rates would remain "higher for longer" were deepened Thursday, after Dallas Fed President Lorie Logan, one of those who argued for a rate hike in June, told a gathering of the Central Bank Research Association that she anticipated two more rate increases in the remainder of the year. In response, markets began pricing in a roughly 44% chance of two or even three quarter-point hikes by December, according to the CME FedWatch Tool. That probability fell back to end Friday at around 36%, however, seemingly in response to data indicating a slowdown in the job market.

Manufacturing workers face tougher job market

The week also brought evidence that factory and services workers were facing very different job markets, however. The Institute for Supply Management's (ISM's) Manufacturing Purchasing Managers' Index (PMI), released Monday, seemed to confirm a renewed slowdown in job growth, indicating a contraction in hiring trends in the sector for the first time since March. The Institute's gauge of services employment painted the opposite picture, however, jumping to its highest level (53.1, with numbers above 50 indicating expansion) since February. The ISM's overall Services PMI also hit its highest level (53.9) since February, well above estimates.eached the market on Thursday, which bolstered sentiment.

Europe

In local currency terms, the pan-European STOXX Europe 600 Index fell 3.09% on fears that central banks might need to keep tightening monetary policy. Investors were also disappointed by a lack of specific measures to bolster the Chinese economy despite more pledges of support from government officials. Major stock indexes declined. Germany's DAX lost 3.37%, France's CAC 40 Index slid 3.89%, and Italy's FTSE MIB gave up 1.60%. The UK's FTSE 100 Index dropped 3.65%.

Signs of weakness in the German economy

German data for industrial production, factory orders, and exports pointed to continuing economic weakness in the second quarter. Output in May fell 0.2% versus April, disappointing consensus expectations that had called for industrial production to come in flat. New orders surged 6.4% in May on increased demand for ships, spacecraft, and military vehicles. However, on a three-month basis, this metric was still down 6.1% sequentially. Exports continued to be volatile, unexpectedly shrinking 0.1% month over month. Imports increased 1.7% in May

Eurozone industry price pressures ease; retail sales still weak

Eurozone factory gate prices fell 1.9% sequentially in May, mainly due to a drop in energy costs, according to the European Union's statistics office. Retail sales volumes in the eurozone were flat for a second month in May, as increased spending on non-food items offset declines for food and automotive fuel. On a year-over-year basis, retail sales fell 2.9%, marking an eighth consecutive monthly decline.

UK house prices fall sharply as mortgage rates rise

Rising mortgage rates continued to take their toll on the UK housing market in June. House prices fell 2.6% year over year, according to home loan provider Halifax. This marked the largest such decline since 2011

Japan

Japan's stock markets fell over the week, with the Nikkei 225 Index registering a 2.4% loss and the broader TOPIX Index down 1.5%. Both indexes retreated from 33-year highs as investors locked in profits, particularly in strongly performing technology stocks. Sentiment was dampened by increased anticipation that the U.S. Federal Reserve would raise interest rates in the second half of the year. The Bank of Japan's (BoJ's) ultra-accommodative monetary policy and historic yen weakness, which continued to boost Japan's export-oriented firms, cushioned losses, however.

T.RowePrice

Index	07/07/2023	30/06/2023	31/12/2022	Week/Week	Year-to-Date
Dow Jones	33,734.88	34,407.60	33,147.25	-1.96%	1.77%
S&P 5000	4,398.95	4,450.38	3,839.50	-1.16%	14.57%
NASDAQ 100	15,036.85	15,179.21	10,939.76	-0.94%	37.45%
FTSE 100	7,256.94	7,531.53	7,451.74	-3.65%	-2.61%
Euro Stoxx 50	4,236.30	4,399.09	3,793.62	-3.70%	11.67%

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.

OUR PRODUCTS AND SERVICES INCLUDE:

- Stock Market investments on any of the three regional exchanges
- Fixed Income Trading
- Investment Banking Services
- Unit Trust Investments
- Currency Trading
- Structured Products
- Retirement Planning
- Wealth Planning
- Market Research

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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