

LEADING ECONOMIC INDICATORS

MARKET REVIEW

T-Bill Results

Tenure	Oct-23	Nov-23	Dec-23
3 month	7.75%	7.91%	8.10%
6 month	7.81%	8.42%	8.46%

Bond Market

In October, Moody's credit rating for Jamaica was last recorded at B1 with positive outlook. Fitch's credit rating for Jamaica was last reported at B+ with positive outlook. In general, a credit rating is used by sovereign wealth funds, pension funds and other investors to gauge the credit worthiness of Jamaica thus having a big impact on the country's borrowing costs.

JSE
Stock Market

	Dec	YTD
Main Index	↑ 3.45%	↓ 8.4%
Junior Index	↑ 2.05%	↓ 3.4%
USD Index	↑ 1.4%	↓ 1.2%

Dec
Main Market

Advance: Decline 20 : 28

Volume Leader	WIG	
Big Winner	SALF	↑ 39.7%
Heavy Loser	CBNY	↓ 30.6%
Market Cap.	\$1,682B	↑ 3.27%
(Main Market)		

KEY INDICATORS

December-23

	Period	YEAR		Change		12 Mth
		2023	2022	12 month	YTD	Trend*

INDICATORS

6 month T-Bill	December	8.46%	8.18%	28bps	28 bps	↑
BOJ Policy Rate	December	7.00%	7.00%	0 bps	0 bps	→
FX Rate	December	\$154.95	\$152.05	1.91%	1.91%	↑
JSE Junior Market Index	December	3,848	3986.44	-3.5%	-3.46%	↓
JSE Main Index	December	325,700	355,896	-8.5%	-8.48%	↓

	Period	YEAR		Change		12 Mth
		2023	2022	12 month	YTD	Trend*

KEY MACRO-ECONOMIC
INDICATORS

Inflation (Y-o-Y)	December	6.90%	9.40%	-250 bps	250bps	↓
NIR (US\$M)	December	\$4,748.10	\$3,976.20	\$772	19.36%	↑
Tourist Arrivals	Jan - Sept	2,197,919	1,817,791	20.9%		↑
Unemployment	July	4.5%	6.6%	-210bps		↓
Real GDP Growth	July-Sept	2.1%	5.9%	-380bps		↓
Current Account Balance (US\$M)	April-Jun	241.0	13.70	227.3		↑

Commentary

JAMAICA'S GDP GREW BY 2.1% IN THE THIRD QUARTER OF 2023

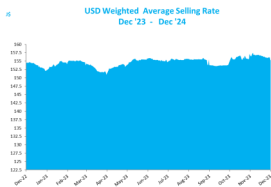
According to the Statistical Institute of Jamaica the Jamaican economy grew by 2.1% year-on-year in the September quarter of 2023. Both the services and good-producing sectors grew by 2.1%. The growth in the third quarter was slowed compared to 2.3% in the prior quarter. This growth was led by the hotels & restaurants industry which grew by 6.7% largely impacted by the increased in foreign national arrivals. Year to date stopover arrivals showed a 20.9% increase relatively to 2022. Electricity & Water Supply also grew 6.7% as a result of increased electricity consumption during the period. All services industries recorded growth with the exception of Producers of Government Services which declined by 0.9%.

For the goods producing sector, Real value added in Mining & Quarrying sector grew by 103.1% compared to 164.2% in Q2 2023. This growth was experience in the alumina production by the JAMALCO plant. On the flip side, Agriculture Forestry & Fishing dipped by 9.3% compared to a pervious decline of 8.0% in Q2 2023. This contraction was as a result of lower output levels due adverse drought impact.

The outlook on the economy remains stable where short term economic growth for the upcoming quarter October to December 2023 is expected to be within the range of 1.0% to 2.0% compared to corresponding quarter of 2022. This growth is based on the continuation of the growth momentum in Mining and Quarrying industry. The anticipated outcome is based on increased production of alumina, where data for October shows production increased by 4.6%. The Hotel & Restaurant sector is expected to continue its upward trend as airport arrivals continue to climb. Preliminary data on stopover arrivals for October 2023 indicate an increase of 3.5%.

LEADING ECONOMIC INDICATORS

Sector Performance

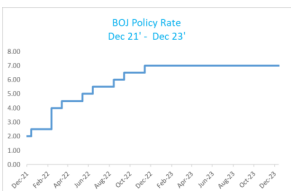


Foreign Exchange: At the end of December 2023, the BOJ's weighted average selling rate closed at J\$154.95 for the US dollar relative to J\$152.05 at the start of the year. At the end of December 2023, the year over year depreciation was 1.91%. Similarly, there was a depreciation of 0.31% between November 2022 to November 2023. The BOJ, through its B-FXITT program, provided liquidity assistance amounting to US \$936.8M from 35 interventions for 2023. The YTD performance reflects the intervention of the BOJ adding liquidity to the foreign exchange market.

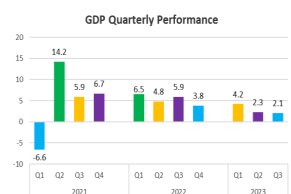


Remittances: Net remittance transfers for the month of November 2023 decreased by 1.6% to US\$ 246.4M compared to US\$ 250.2M in November 2022. This was due primarily to a US\$ 3.4M decline in total remittance inflows. This impact was partly offset by a decrease in total remittance outflows of 20.4% to US\$ 21.6M in November 2023. The United States remained the largest source of remittance flows to Jamaica accounting for 68.6% of total flows in November 2023. Other source countries which contributed a notable share of remittances for the month were the UK at 10.6%, followed by Canada and the Cayman Islands at 10.1% and 6.5%, respectively.

Net International Reserves: The NIR stood at US\$ 4.75B at the end of December 2023, an increased of 3.27% (US\$ 150.6M) compared to US\$ 4.59B recorded at the end of the month prior. Changes in the NIR resulted from a increased in foreign assets from US\$ 4.73B in November 2023 to US\$ 4.86B in December 2023. This was mainly driven by the increase in currency & deposits by US\$120.7M. Total foreign liabilities dipped from US \$129.6M in November 2023 to US \$110.4M in December 2023. The reserves as at December 2023 were sufficient to cover approximately 34.8 weeks of imports of goods and 23.9 weeks of imports of goods and services compare to prior month 33.9 and 23.2, respectively.



Interest Rates: The BOJ's Monetary Policy Committee (MPC) is expected to maintain the policy rate at 7.00% at its next meeting on February 20, 2023. At its last meeting The BOJ's Monetary Policy Committee (MPC) decided to maintain the policy rate at 7.00% despite unfavorable inflation data. BOJ expects inflation to rise above the 6.00% range between December 2023 and March 2025. The yields on the 90-day T-bills increased to 8.10% in December 2023 from 7.91% in November 2023 while the 180-day T-bills declined marginally to 8.46% from 8.42%.



Stock Market Performance: Both indices on the Jamaica Stock Exchange ended 2023 with negative returns. The Main Market declined by -8.48% while the Junior Market returned -3.48% to investors. Comparing full year 2023 to 2022, a total of 3.72 billion in volumes traded was recorded, compared to 5.58 billion on the main market. This shift in momentum comes as most investors are leaning towards fixed-income securities for higher returns in this elevated interest rate environment. 28 stocks on the main market experienced a decline with 20 stocks advancing, and the Junior Market had 16 stocks advancing and 28 declining in December 2023. For the month, both the Main and Junior markets recorded increases of 3.35% and 2.05%, respectively.



Inflation: For December, the 12-month inflation rate was 6.9%. December's headline inflation reading increased compared to November's reading of 6.3%. The heaviest weighted division 'Food and Non-Alcoholic Beverages' increased point to point by 8.7% and a 10.6% in the 'Transport' division. The increase in the index for the division 'Food and Non-Alcoholic Beverages' was due to higher prices for agricultural produce resulting in a 17.5% increase in the index for the class 'vegetables, tubers, plantains, cooking bananas and pulses'. The 'Transport' division, resulted mainly from higher passenger transport services which rose 16.5%. The fiscal year-to-date the inflation rate was 7.3%.

LEADING ECONOMIC INDICATORS

GLOBAL UPDATES December 2023

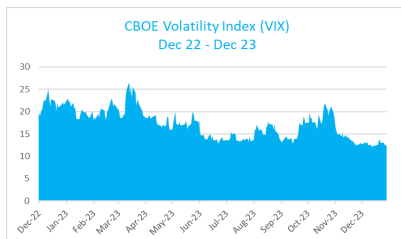
MARKET REVIEW

T-Bill Results

Tenure	Oct-23	Nov-23	Dec-23
3 month	5.59%	5.45%	5.40%
6 month	5.54%	5.38%	5.26%

CBOE Volatility Index

The CBOE Volatility Index (Vix), the stock market's fear gauge, indicates lower volatility for December 2023 relative to a year ago. For the month of December, the index averaged 12.45 compared to 21.67 for December 2022. Market fears continue to be driven by concerns of inflation remaining above target, a slowing economy and the Federal Reserve monetary policy on interest rate.



S&P 500 Sector Breakdown

	DEC	YTD
Consumer Disc	↑ 6.07%	↑ 41%
Consumer Stap	↑ 2.4%	↓ 2.2%
Energy	↓ 0.2%	↓ 4.8%
Utilities	↑ 1.7%	↓ 10%
Health Care	↑ 4.1%	↑ 0.3%
Industrials	↑ 6.7%	↑ 12%
Technology	↑ 3.8%	↑ 56%
Communications	↑ 4.8%	↑ 54%
Materials	↑ 4.3%	↑ 10%
Financial	↑ 5%	↑ 9.9%

KEY INDICATORS - US

December-23

Indicators	Period	Year		Change		12 Mth Trend
		2023	2022	12 Month	YTD	
CAPITAL MARKET INDICATORS						
UST 10-year	December	3.9%	3.7%	20 bps	20 bps	↑
UST 30-year	December	4.03%	3.97%	6 bps	6 bps	↑
Dow Jones Industrial Average	December	37,696	33,147	13.7%	13.7%	↑
S&P 500	December	4,770	3,839	24.2%	24.2%	↑
Nasdaq Composite	December	15,011	10,466	43.4%	43.4%	↑
Nikkei 225	December	33,464	26,094	28.2%	28.2%	↑
INDICATORS						
Crude Oil	December	\$71.88	\$80	-10.4%	-10.4%	↓
US CPI	December	306.7	296.8	3.4%	3.4%	↑

*KEY: Arrow Indicates Direction / Color Indicates Impact

Favorable

Adverse

Indifferent

Commentary

US INFLATION UP FOR DECEMBER

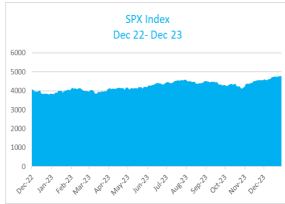
In December 2023, the annual inflation rate in the US rose to 3.4%, compared to the 6.4% recorded in December 2022. This decline was primarily attributed to a slower decline in energy prices. Gasoline saw a smaller decrease of 1.9% (compared to -8.9%), utility (piped) gas service fell by 13.8% (compared to -10.4%), and fuel oil dropped by 14.7% (compared to -24.8%). Prices for various items, including food, shelter, new vehicles, apparel, medical care commodities, and transportation services, exhibited a more moderate pace of growth. However, used cars and trucks continued to experience a decline. The annual core inflation rate eased to 3.9%, slightly below the previous period's 4.0% but exceeding expectations of 3.8%.

Meanwhile, the unemployment rate in the United States remained steady at 3.7% in December 2023, unchanged from the previous month and slightly below the market consensus of 3.8%. The US economy added 216K jobs during December, surpassing market forecasts and exceeding the downwardly revised 173K jobs in November. Employment growth was notable in government, leisure and hospitality, health care, social assistance, and construction, while the transportation and warehousing sector experienced job losses. Other major industries showed little change in employment.

After the unfavorable release of the CPI data, the market anticipates that the Fed will halt its monetary tightening. The Federal Reserve is set to announce its interest rate decision on January 31, 2024, with a high likelihood of 97.0% according to market participants, expecting a pause at the current rate.

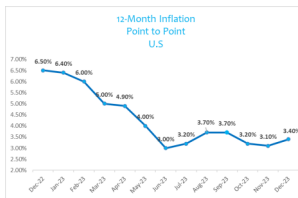
LEADING ECONOMIC INDICATORS

US Market Performance



Stock Market: For 2023 the S&P 500 posted a return of 24.23%, and the Dow Jones 13.70%. For 2023, Information Technology and Communication Services were the big winners, gaining 56.39% and 54.36%, respectively driven by major tech giants focusing on advancing AI technologies. The S&P ended the year with 9 of the 11 sectors experiencing growth; the energy, Consumer staples and Utilities all experienced a decline. These positive trends coincide with positive economic indicators in the U.S., spanning unemployment, interest rates, and inflationary data.

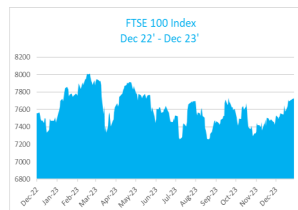
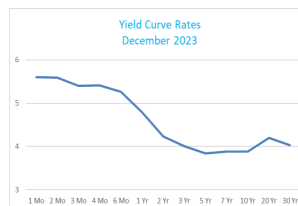
Interest Rates: Since the beginning of 2023, the Federal Reserve has implemented four consecutive rate hikes, moving from 4.45%-4.50% to 5.25%-5.5%. In December 2023, the Fed held its stance for a third consecutive meeting. Policymakers noted that recent indicators suggest a slowdown in economic growth and moderated job gains, although remaining robust. The unemployment rate has stayed low. The projected outlook for interest rates is to hold steady at 5.25%-5.5% before a 25 basis points cut in rates is anticipated by June 2024 and beyond.



UK & European Market Performance

The inflation rate in the Euro Area increased to 2.9% year-on-year in December 2023, rising from a more than two-year low of 2.4% in November. However, it slightly missed the market consensus of 3%, as per a preliminary estimate. This marked the first increase in inflation since April, driven primarily by energy-related base effects. Energy prices experienced a 6.7% decline (compared to -11.5% in November), while services inflation remained stable at 4.0%. Additionally, the rate of price increases eased for both food, alcohol & tobacco (6.1% vs 6.9%) and non-energy industrial goods (2.5% vs 2.9%). The core rate, excluding volatile food and energy prices, also cooled to 3.4%, aligning with expectations and reaching its lowest point since March 2022.

Meanwhile, the annual inflation rate in the UK decelerated to 3.9% in November 2023, the lowest since September 2021, down from 4.6% in October and well below the 4.4% market expectation. The primary contributor to this decrease was the transport sector (-1.5% vs 0.5%), driven mainly by downward effects from motor fuels and, to a lesser extent, second-hand cars, maintenance and repairs, and air fares. Annual core inflation also dipped to 5.1%, the lowest since January 2022. Despite indications of a deteriorating economic landscape, the Bank of England, in its December meeting, voted by a majority of 6-3 to maintain its benchmark interest rate at a 15-year high of 5.25%. This decision aligned with policymakers' efforts to combat inflation.



GLOBAL OUTLOOK

The world economy is gradually recovering from the impacts of the pandemic, Russia's invasion of Ukraine, and the cost-of-living challenges. The International Monetary Fund (IMF) recently projected a slowdown in global growth, expecting it to decrease from 3.5% in 2022 to 3.0% in 2023 and further to 2.9% in 2024. This represents a 0.1 percentage point downgrade for 2024 compared to the July projections. The deceleration is attributed to tighter financial conditions resulting from higher interest rates and persistent inflation at elevated levels. Global inflation is anticipated to decline progressively, decreasing from 8.7% in 2022 to 6.9% in 2023 and 5.8% in 2024 according to the IMF. This decline is attributed to a more stringent monetary policy, supported by lower international commodity prices. Core inflation is expected to decrease more gradually, with a return to target levels not anticipated until 2025.

