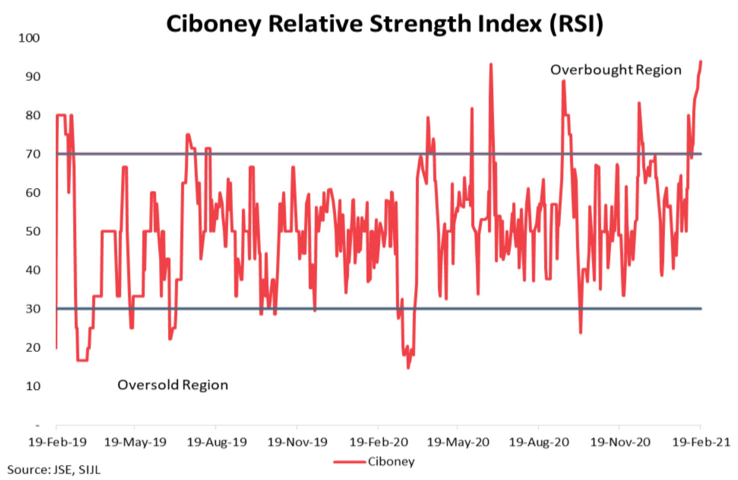
In this week's edition:

Chart of the Week



Upcoming Key Economic Events	
Country / Region	**Event**
Monday, February 22, 2021	
EU	German Ifo Business Climate Index (Feb)
Tuesday, February 23, 2021	
UK	Average Earnings Index + Bonus (Dec)
UK	Claimant Count Change (Jan)
EU	CPI (YoY) (Jan)
USA	CB Consumer Confidence (Feb)
Wednesday, February 24, 2021	
EU	German GDP (QoQ) (Q4)
USA	New Home Sales (Jan)
USA	Weekly Crude Oil Inventories
Thursday, February 25, 2021	
USA	Core Durable Goods Orders (MoM) (Jan)
USA	GDP (QoQ) (Q4)
USA	Weekly Initial Jobless Claims
USA	Pending Home Sales (MoM) (Jan)
Friday, February 26, 2021	
USA	US Federal Budget
Saturday, February 27, 2021	
China	Manufacturing PMI (Feb)

Contributors:

Ansel Garvey
ansel.garvey@scotiabank.com

Trevon Mair
trevon.mair@scotiabank.com

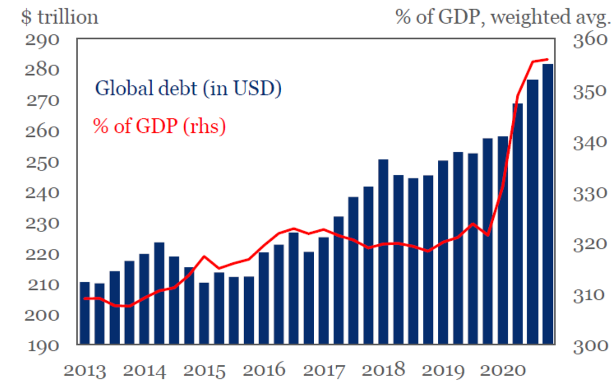
Tiffany Sparks
tiffany.sparks@scotiabank.com

Sharnakae Stewart, CFA
sharnakae.stewart@scotiabank.com

Kevin Walters, CFA
kevin.walters@scotiabank.com

Pandemic induced global debt increase to decelerate in 2021

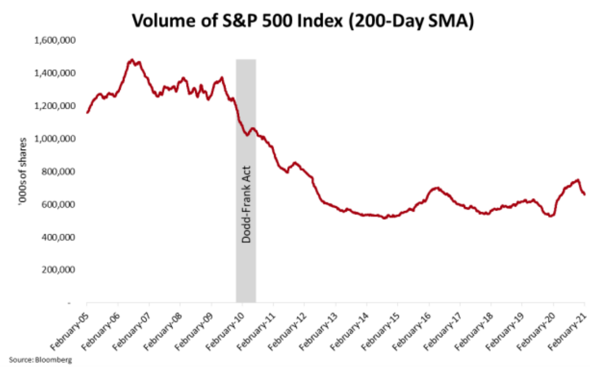
The COVID-19 pandemic prompted an urgent demand for balance of payments support as countries increased spending on health care and social services in an effort to address the core needs of their citizens. Multilateral agencies such as the IMF and World Bank provided over US$100 billion to developing countries which bolstered amounts raised through global bond issuances. Concurrently, developed countries met their heightened financing needs primarily through local debt and global bond issuances. Many businesses also needed financial support to meet their working capital requirements which also came in the form of debt and, for many, moratoriums. In the US, the Federal Reserve funded loans to businesses in need to provide additional support in these unprecedented times. The resulting effect was that global debt climbed to an all-time high of US$281.5T (or 355% of GDP) as at the end of 2020. The trend is expected to continue into 2021, though probably at a slower pace as countries still tussle between lockdowns and easing of restrictions as they try to curb the spread of the virus while limiting the negative economic impact. A key investment strategy will be to focus on bonds of issuers that had strong or improving credit metrics prior to the crisis and have been resilient to the crisis. As we overcome vaccine distribution and production obstacles, investors could shift their focus towards COVID-19 impacted credits as they become more attractive.



Source: IIF, BIS, IMF, National sources

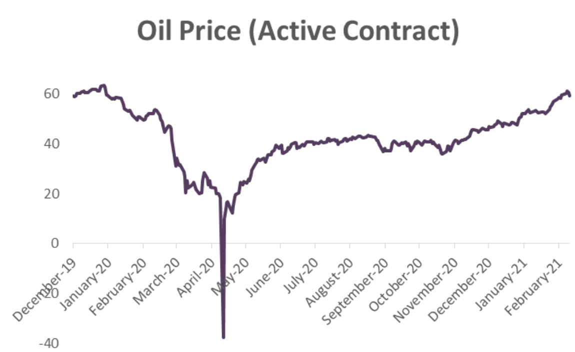
Regulatory changes may arise out of Reddit frenzy

Last month we spoke about the impact of the WallStreetBets Reddit forum on market volatility which has now piqued the interest of regulators. On February 18, 2021 the CEOs of Robinhood, Citadel, and Reddit were called to Congress to testify alongside Keith Gill aka 'Roaring Kitty,' the man behind the forum that motivated thousands of retail investors to purchase shares in Gamestop and other stocks that were heavily shorted. The testimonies are expected to guide the policy makers in their decision making as they look to identify and prevent the reoccurrence of any irregularities. Should regulations tighten, market liquidity could be dampened by decreased trading volumes, as occurred when the Dodd-Frank Act was promulgated following the financial crisis of 2008/09; however, to a much lesser extent.



Oil prices rally beyond pre-COVID-19 levels

Freezing weather in the United States, the world's largest oil producer, has resulted in the shutdown of refineries and drilling wells. Consequently, US crude oil inventories fell by 7.26 million barrels week-over-week, pushing the price of March's futures contract for WTI crude oil above US$60.00 per barrel, higher than that of January 22, 2020 (US$56.74), the day before the first ever lockdown in Wuhan, China. The resulting effect will be higher energy prices in the short-term which should subside as temperatures normalize. These erratic movements highlight the volatility of oil prices, but improved predictability is expected in the coming months as more persons become inoculated against COVID-19 and markets stabilize.



Source: Bloomberg

Niggling unemployment reverses persistent gains

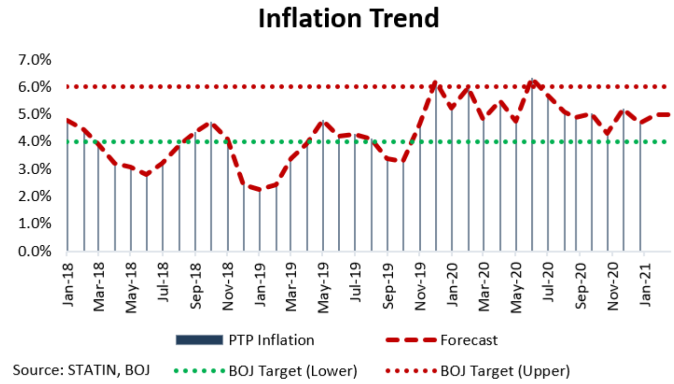
The EU, USA, and Canada all reported negative employment data this past week highlighting the need for continued macroeconomic support as the EU and US central bank presidents proffered last week. In response to the unfavourable reports, markets moved lower week-over-week. Nevertheless, stock prices remain near record highs, indicating that a meaningful turnaround could be on the horizon in the short to medium term.

Indices	Value	WoW	YTD
S&P 500 Index	3,906.74	-0.71%	4.01%
MSCI World Index	678.67	-0.52%	5.01%
SPTSX Index	18,385.1	-0.41%	5.46%

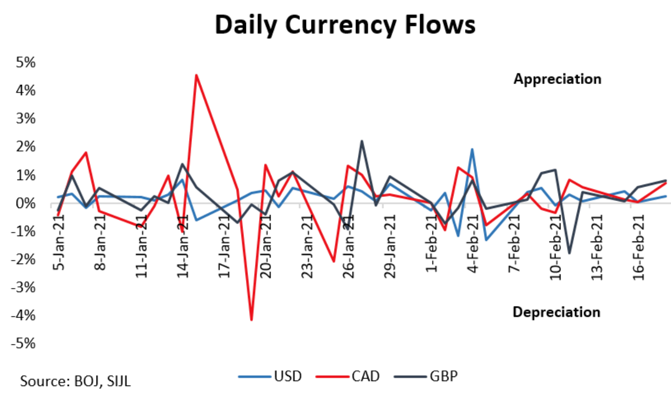
Source: Bloomberg

What's ahead for inflation? A look at key drivers.

Monthly inflation for January 2021 was -1.6% compared to 1.3% in December 2020. For much of CY2020, the primary catalyst for growth in the consumer price index (CPI) was the volatility in agricultural output, which was heavily influenced by adverse weather conditions. In the months where the country experienced drought or heavy rainfall, agricultural output declined, resulting in a shortage and an increase in the heaviest (35.8%) weighted segment of the CPI, "Food and Non-Alcoholic Beverages". The shortage resulted in what is often referred to as "Demand-Pull Inflation". As demand for agricultural products increase/remain stable, if supply of said products decline, then producers/farmers have an incentive to raise prices to absorb the excess demand. The opposite is also true, as was demonstrated in January 2021. The main influence on the MoM deflation rate, according to STATIN, was a 17.8% reduction in the index class for vegetables, which occurred due to an influx of local produce.

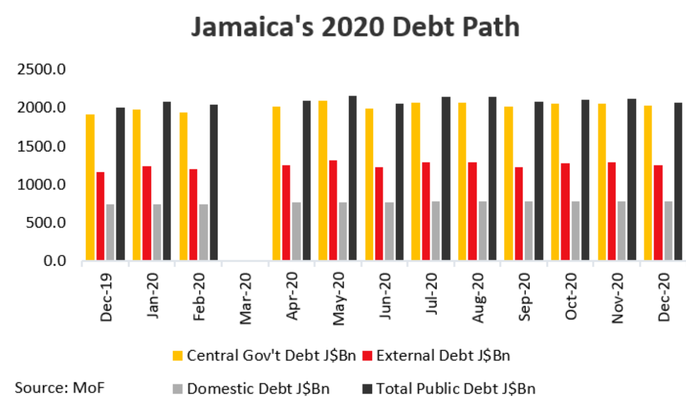


A supply shortage or surplus is often not instantaneously reflected in prices. The event first transpires, then farmers negotiate higher or lower prices with retailers and retailers then pass on those prices, with a mark-up, to consumers. The entire process may take some time, which is why a December influx of produce would impact January's inflation rate. The same is true for the exchange rate. For a country like Jamaica that has a high import bill, movement in the relative value of the local dollar versus its main trading partner, the US, has a significant impact on local prices. Recall that in December, MoM inflation increased to a six-month high of 1.3%. However, during the month, the JMD appreciated 2.9% against the USD. In January, the dollar then depreciated 4.7% against the USD, but inflation was negative. The explanation is that the lower import costs of December would have been priced into shelved items in January. With that in mind, it is not unlikely that as the JMD continues to depreciate as seen over January to February 2021, monthly inflation for the remainder of the quarter could experience upward pressure. Still, lower levels of aggregate demand which could be compounded by the recent tightening of COVID-19 restrictions, may act to offset the impact of FX depreciation on future inflation rates.



Strong headwinds could challenge Government debt management

Despite the fiscal and economic challenges in 2020, the GoJ maintained a tight rein on Jamaica's public debt. Borrowing, particularly from external sources, was kept at a minimum and stability of external debt was supported through BOJ's management of the exchange rate. For CY2020, the central government debt increased 2.3%, from J$1.98 trillion to J$2.03 trillion. However, the bulk of the increase was added between February and April (at the pandemic's onset) and remained relatively stable thereafter, increasing by a negligible 0.4%. The GoJ's ability to prevent significant increase in the country's debt could be attributed to the three consecutive years of fiscal surpluses which enable the accumulation of sizeable balances which would have been a key source of funding in the face of heightened demand on the government's coffers. Notwithstanding the GoJ's prudent debt management during 2020, Jamaica's debt position remains highly susceptible to both internal and external headwinds, driven by weakened economic activity and high foreign denominated liabilities.



Market Quote for Week Ending February 12, 2021						
Index	Opening Value	Closing Value	Total Volume	Value (J$)	WTD Change	YTD Change
Main Market Index	390,278.54	391,243.99	53,989,967	291,853,061.06	0.25%	-1.10%
Junior Market Index	2,814.15	2,899.13	94,792,609	182,926,904.97	3.02%	9.68%

Source: JSE, SIJL

Tighter COVID-19 restrictions to weigh on market performance

Between April 1, 2020 and May 31, 2020, the GoJ first introduced strict protocols aimed at managing the spread of the COVID-19 pandemic. These measures coincided with a decline in profitability for majority of the companies listed on the JSE and though these measures persisted throughout the year, the impact was more pronounced between the April and June 2020 quarter. Consequently, approximately 61% of the listed companies were adversely affected, but by the third quarter, 54% of those companies experienced QoQ improvement in financial performances, chiefly through the introduction of cost containment measures. This was supported by a rebound in economic activity driven by a loosening of the aforementioned protocols. Nevertheless, with a resurgence in COVID-19 cases coupled with tighter curfew measures, we could experience another downturn in economic activity and a reduction profitability across the index.

Sector	Top Advancers*	Top Decliners*
Finance	EPLY	QWI
Conglomerate	SJ	GK
Other	CBNY	PAL
Manufacturing	BRG	SEP
Real Estate	SML	KPREIT

*Based on percentage price increase week-over-week
Source: JSE, SIJL (Main Market)

CIBONEY Group an outlier?

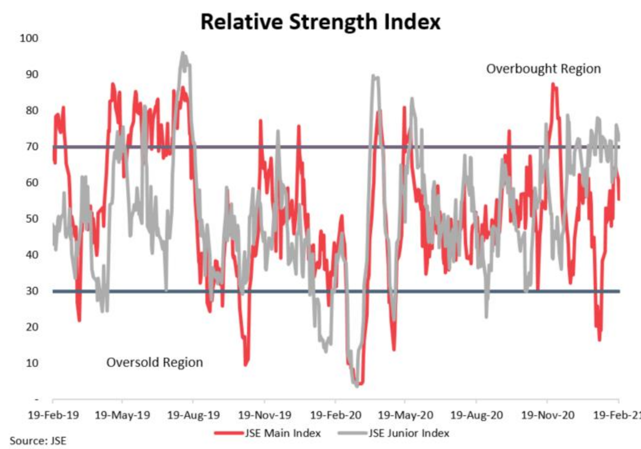
Ciboney's WTD performance continues to improve and have consistently been one of the top advancers each week as they slowly progress to their 52 week high of $1.33, and a YTD return of 460.29%. Given the company's exposure to the tourism and hospitality industry, as well as a recent history of successive negative quarterly earnings, a performance such as this was unexpected. Notwithstanding their spectacular returns, the entity accounts for only 0.03% of the market and as such would not have had any substantial impact on the overall performance of the Main Market.

Sector	Top Advancers*	Top Decliners*
Finance	N/A	LASF
Manufacturing	JAMT	KREMI
Insurance	ROC	CABROKERS
Other	LUMBER	TTECH
Retail	PTL	CPJ

*Based on percentage price increase week-over-week
Source: JSE, SIJL (Junior Market)

Market Performances Week ending February 19, 2021

The trend of low volumes continued this week; however, the Junior Market volumes surpassed those of its Main Market counterparts with PTL being volume leader and top advancer in the retail sector. The Junior Market ended the week with 43 stocks traded, of which 21 advanced, 20 declined and 2 traded firm, this resulted in a WTD performance of 3.02%. The Junior Market's performance has been driven by the positive results from its Manufacturing and Retail sectors, which when combined account for nearly 54% of the market. Quite few of the constituents of these sectors are also designated as essential services, and have posted positive YTD returns of 23.96% and 10.71% respectively.



The Main Market ended the week with a YTD return of negative 1.1% (0.25% WTD) after this week's round of activity, which saw 51 stocks traded of which 28 advanced, 19 declined and 4 traded firm. The index's YTD performance continue to be influenced by the negative 3.21% return of the approximately 50% weighted Financial sector. The return within this sector is hardly surprising considering the COVID-19 induced losses on investment securities, coupled with tightening interest margins and increased provisions for credit losses since the onset of the pandemic.

RECENTLY RELEASED KEY ECONOMIC EVENTS				
Country/Region	**Event**	**Actual**	**Forecast**	**Previous**
Tuesday, February 16, 2021				
EU	German ZEW Economic Sentiment (Feb)	71.2	59.6	61.8
Wednesday, February 17, 2021				
UK	Core CPI (YoY) (Jan)	0.7%	0.6%	0.6%
USA	Core Retail Sales (MoM) (Jan)	5.9%	1.0%	-1.8%
USA	PMI (MoM) (Jan)	1.3%	0.4%	0.3%
USA	Retail Sales (MoM) (Jan)	5.3%	1.1%	-1.0%
Canada	Core CPI (MoM) (Jan)	0.5%		-0.4%
Thursday, February 18, 2021				
USA	Building Permits (Jan)	1.881M	1.678M	1.704M
USA	Initial Jobless Claims	861K	765K	848K
USA	Philadelphia Fed Manufacturing Index (Feb)	23.1	20.0	26.5
USA	Crude Oil Inventories	-7.258M	-2.429M	-6.644M
Friday, February 19, 2021				
UK	Retail Sales (MoM) (Jan)	-8.2%	-2.5%	0.3%
EU	German Manufacturing PMI (Feb)	60.6	56.5	57.1
UK	Composite PMI	49.8	42.2	41.2
UK	Manufacturing PMI	54.9	53.2	54.1
UK	Services PMI	49.7	41.0	39.5
Canada	Core Retail Sales (MoM) (Dec)	-4.1%	-2.0%	2.1%
USA	Existing Home Sales (Jan)	6.69M	6.61M	6.65M
China	PBoC Loan Prime Rate	3.85%		3.85%

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