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Upcoming Key Economic Events	
Country / Region	Event
Sunday, February 28, 2021	
China	Caixin Manufacturing PMI (Feb)
Monday, March 1, 2021	
EU	German Manufacturing PMI (Feb)
UK	Manufacturing PMI (Feb)
USA	ISM Manufacturing PMI (Feb)
Tuesday, March 2, 2021	
EU	German Unemployment Change (Feb)
EU	CPI (YoY) (Feb)
Canada	GDP (MoM) (Dec)
Wednesday, March 3, 2021	
UK	Composite PMI (Feb)
UK	Services PMI (Feb)
USA	ADP Nonfarm Employment Change (Feb)
USA	ISM Non-Manufacturing PMI (Feb)
Thursday, March 4, 2021	
UK	Construction PMI (Feb)
Friday, March 5, 2021	
USA	Nonfarm Payrolls (Feb)
USA	Unemployment Rate (Feb)
Canada	Ivey PMI (Feb)

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## Will rising yields force the Fed's hand?

The past week's bond price rout has been driven by an expectation that the US economic recovery will be stronger than previously forecasted, which heightened inflationary concerns but drove nominal interest rates even higher. This resulted in an aggressive upward shift in the mid and long-end of the US treasury yield curve. This would indicate that existing bondholders, particularly those on the long-end of the yield curve would have been most severely impacted. Conversely, this could be an opportunity for investors looking to place funds as the upward movement in yields have transformed previously unattractive issues into viable options. Notwithstanding the recent developments, the US Fed remains unwavering in its policy stance, as according to Fed Chairman Powell "the economy is a long way from... employment and inflation goals." As the situation evolves, we believe a sticking question in many investors' minds will be: 'What happens if this upward shift persists?' For many observers, the answer to that question is "yield curve control." This is a tool that is seemingly buried deep in the US Fed's toolbox, and is unlikely to be high on the list of policy measures.

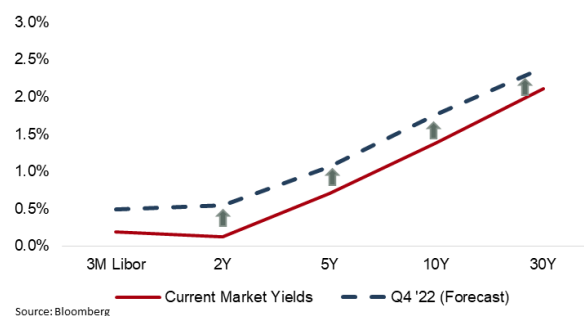
## Latest stimulus to sustain US economic momentum

The US House of Representatives are set to vote on President Biden's US\$1.9T stimulus bill on Friday which could mean that Americans could receive a third round of stimulus cheques and see a boost in the federal government's supplemental unemployment benefit to US\$400/week, providing much needed relief. On one hand, the impact of the stimulus bill may be muted by the fact that, come April 15, some individuals may have to use some or all of their stimulus cheques to cover taxes owed on last year's stimulus. On the other hand, with economic conditions set to improve later this year, households may be more inclined to increase consumption thereby bolstering the broader economic impact of this round of stimulus. Caribbean countries and other emerging market economies should see benefits from this package, in the form of remittances, which have held up even in the midst of a global pandemic.

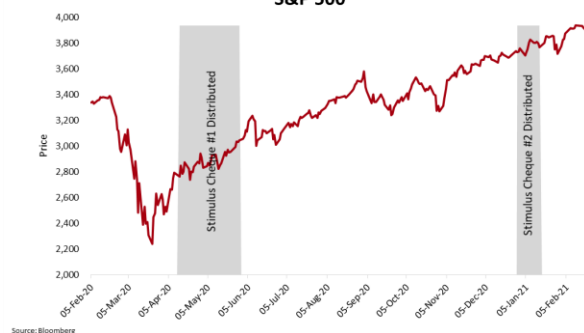
## Tech stocks fuel stock market downturn

Equities got hammered over the past week as higher interest rates drove valuations down particularly for the 'stay-at-home stocks' which may have begun to run out of steam. This was particularly true for tech stocks as the Nasdaq fell by 4.92% this past week on the back of what has been presumed to be a market correction. The resulting volatility spike was compounded by renewed day trader activity centred on Gamestop and other "meme stocks" which saw triple digit growth within the week.

## US Yields



## S&P 500



Indices	Value	WoW	YTD
S&P 500 Index	3,811.15	-2.45%	1.47%
MSCI World Index	667.05	-1.71%	3.22%
SPTSX Index	18,060.26	-1.76%	3.60%

Source: Bloomberg

## Continued economic improvement ahead?

Projections from the PIOJ indicate that the Jamaican economy had two consecutive quarters of improvement in the latter half of 2020. This is in a context of a less restrictive business environment relative to the first half of the year when tighter measures were applied to stem the spread of the virus. The major drivers for the projected outcome were two consecutive quarters of growth in construction and a partial recovery in the mining and quarrying sector in the last quarter. Concurrently, there was sustained contraction in other key sectors. Based on the Q3 to Q4 projection, the economy is estimated to have contracted by 10.2% for 2020. The MoF recently forecasted economic contraction of 11.6% for the FY ending March 2021, suggesting a projected contraction of 7.9% in the March 2021 quarter, which would mean a third consecutive quarter of improvement. The outlook may, however, prove slightly optimistic, as global and local virus conditions in early 2021 took a turn for the worst. New daily record spikes, reinstituted travel bans and tightened COVID-19 protocols are sure to have impacted businesses, tourism and overall production, adding downside risks to current projections.

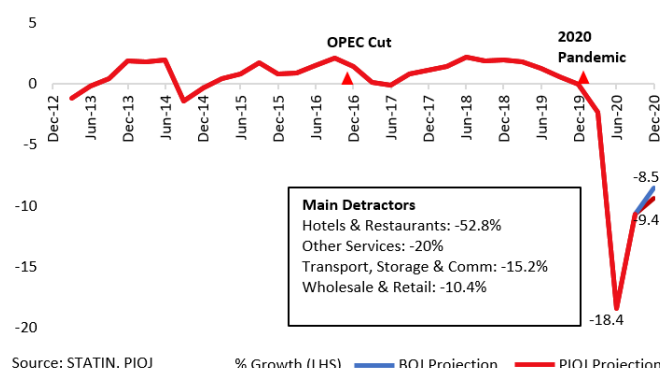
## Tourism: a barometer for the local economy

The tourism industry has historically played a pivotal role in Jamaica's economy. In 2019, tourism expenditure was 22.1% of GDP and real income grew 0.7%. In 2020, the 68.6% decline in tourist arrivals was coupled with a 62.6% fall in expenditure. Assuming a 10.2% YoY real GDP decline, tourism expenditure's contribution to GDP fell to an estimated 9.2% in 2020. The assumption of growth in 2021 is heavily centred on the success of vaccinations in key source markets as the successful containment of COVID-19 in those markets would signal the start to tourism's recovery and that of the general economy.

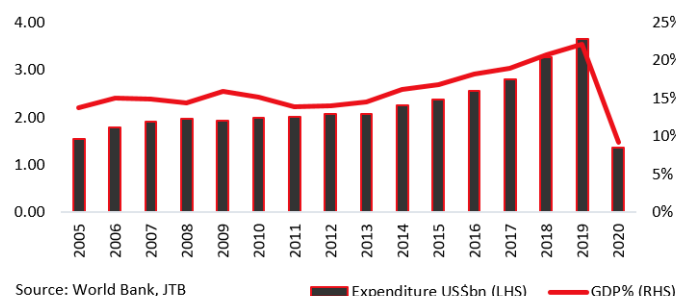
## Sanguine projections for Fiscal 2021/22

Despite uncertainties regarding the progress of vaccines and COVID-19, the FY21/22 budget outlines a return to fiscal discipline with expectations for a surplus equivalent to 0.3% of GDP. Rebounding from its forecasted J\$73.3 billion (11.3%) shortfall in FY20/21 vs FY19/20, total revenues and grants are expected to climb to J\$672.7 billion in FY21/22, J\$22.9 billion (3.5%) above FY19/20 (pre-crisis). The revenue increase is predicated on the expectation of macroeconomic improvement in the year. Tax revenues will continue to be the main component of revenues, with an expected contribution of 85.1% of the total. Notwithstanding the marked significance of tax revenues, Non-tax revenue is expected to have the most discernible YoY growth (50.9%). Expenditure is expected to increase by 1.9%, below the 16.5% YoY growth projected for total revenue. Non-debt recurrent expenditures will constitute the largest portion of total expenditure (73%) and is expected to increase by 4.5% YoY. Included in the programs category is the allocation for vaccine acquisition, sufficient for approximately 67% of the population. Notwithstanding the MoF's outlook, risks to the projections remain tilted to the downside due to the recent surge in COVID-19 cases, coupled with lingering uncertainties surrounding the timeline for the acquisition of vaccine quantities capable of meeting the inoculation target.

## Real GDP YoY Quarterly Growth (%)



## Historical Tourism Expenditure Contribution



Item	(1) Projection FY20/21	(2) Projection FY21/22	(2)/(1)% Projection FY21/22
Total Revenue	576,491.7	672,668.3	16.7%
Expenditure	654,512.9	667,247.90	1.9%
<b>Fiscal Balance</b>	<b>-78,021.2</b>	<b>5,420.4</b>	<b>n/a</b>
Loan Receipts	215,528.9	130,305.6	-39.5%
Amortization	158,555.6	146,258.5	-7.8%
<b>Primary Balance</b>	<b>58,231.8</b>	<b>131,407.1</b>	<b>125.7%</b>

Source: MoF

**Pertinent revision/correction** to last week's issue: Ciboney no longer has an exposure to the tourism sector, having divested the last of its tangible assets in 2018.

## Public offerings on the Jamaica Stock Exchange

In 2020 the JSE was anticipating robust capital market activity via the listing of 20 securities. However, COVID-19 put a halt to the plans of many of those firms, but not before companies like CABROKERS and TJH successfully drummed up equity capital to the tune of \$J14.2B (majority to TJH) in the first quarter of 2020. In Q3 2020, Barita became the first company to test the renewal of investor appetite and was successful in raising approximately J\$13.5B in equity capital via an APO. Notwithstanding the fact that significant portion of the offer was secured, Barita's success sent a clear signal that investors were keen to invest in attractive offers and also that issuers/structurers needed to secure coverage or extend special concessions when packaging these offers. Subsequently, a number of firms entered the market, successfully raising capital through APOs/IPOs which acted to set the positive tone for 2021. The latest announcement of a possible capital raise came from KPREIT as its Board of Directors approved an APO during its recently held extraordinary general meeting. We anticipate that in the coming quarters, a number of firms, especially those who delayed listing due to the onset of the virus, may be tempted to tap the market if conditions become more conducive.

## Relative Strength Index (RSI) – overbought vs oversold regions

On a weekly basis we have been sharing the RSI for both Main and Junior market indices, but what is the significance of this chart? Well, firstly, this model is a momentum oscillator designed to measure the speed and size of the price changes. Within the chart, the scale bands of 30 and 70 (acceptable standards in technical analysis) are used to determine the oversold and overbought regions respectively. An overbought (oversold) stock is one whose price increases (decreases) rapidly over a short period of time and may see reversal in its trajectory. Traders generally use this indicator to determine potential entry and exit points as a RSI that breaches 70, then falls below 70 is seen as a potential exit (sell) signal. Conversely, when the RSI is below 30 then crosses above 30, traders see this as potential entry signal (buy signal).

The Junior Market has been trending within the overbought region over the past few weeks on relatively strong volumes (MoM increase of 59%), but has not yet significantly dipped below the upper band to indicate a possible sell signal within this segment. This week's overall market activity resulted in 43 stocks traded, of which 23 advanced, 17 declined and 3 traded firm as the Junior Market Index closed out the month with a YTD return of 10.48%.

On the Main Market, we have seen an uptrend towards the overbought territory in recent weeks on improved volumes (MoM increase of 33%). However, the index's level continue to meander within the confines of both the upper and lower limits. This week market activity ended with 51 stocks traded, of which 23 advanced, 24 declined and 4 traded firm.

Market Quote for Week Ending February 26, 2021						
Index	Opening Value	Closing Value	Total Volume	Value (J\$)	WTD Change	YTD Change
Main Market Index	391,243.99	394,528.81	117,732,354	589,498,549.79	0.84%	-0.27%
Junior Market Index	2,899.13	2920.35	55,900,949	132,847,484.78	0.73%	10.48%

Source: JSE, SIJL

Sector	Top Advancers*	Top Decliners*
Finance	1834	KEY
Conglomerate	GK	SJ
Other	CBNY	138SL
Manufacturing	SALF	SELECTMD
Real Estate	CPFV	FIRSTROCJMD

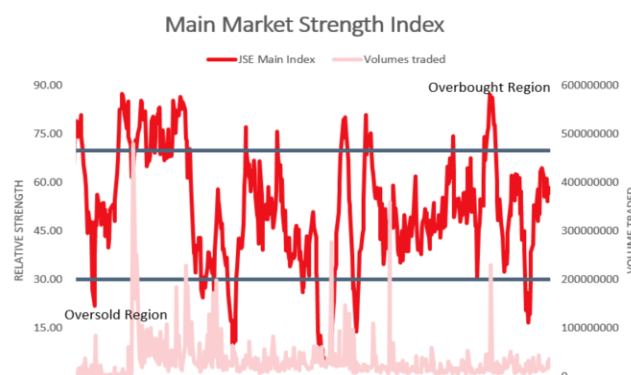
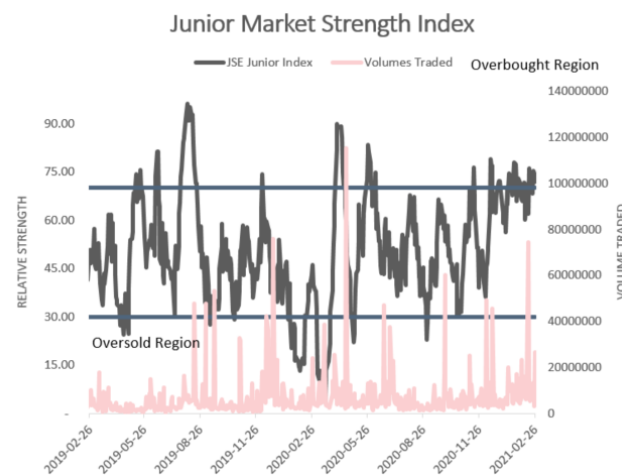
\*Based on percentage price increase week-over-week

Source: JSE, SIJL (Main Market)

Sector	Top Advancers*	Top Decliners*
Finance	ISP	LASF
Manufacturing	CFF	JAMT
Insurance	GENAC	N/A
Other	ICREATE	SOS
Retail	CPJ	PTL

\*Based on percentage price increase week-over-week

Source: JSE, SIJL (Junior Market)



RECENTLY RELEASED KEY ECONOMIC EVENTS				
Country/Region	Event	Actual	Forecast	Previous
Monday, February 22, 2021				
EU	German Ifo Business Climate Index (Feb)	92.4	90.5	90.3
Tuesday, February 23, 2021				
UK	Average Earnings Index + Bonus (Dec)	4.7%	4.1%	3.7%
UK	Claimant Count Change (Jan)	-20.0K	35.0K	-20.4K
EU	CPI (YoY) (Jan)	0.9%	0.9%	-0.3%
USA	CB Consumer Confidence (Feb)	91.3	90.0	88.9
Wednesday, February 24, 2021				
EU	German GDP (QoQ) (Q4)	0.3%	0.1%	8.5%
USA	New Home Sales (Jan)	923K	855K	885K
USA	Weekly Crude Oil Inventories	1.285M	-5.190M	-7.258M
Thursday, February 25, 2021				
USA	Core Durable Goods Orders (MoM) (Jan)	1.4%	0.7%	1.7%
USA	GDP (QoQ) (Q4)	4.1%	4.2%	4.0%
USA	Weekly Initial Jobless Claims	730K	838K	841K
USA	Pending Home Sales (MoM) (Jan)	-2.8%	-0.2%	0.5%

## **General Disclosures**

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