

The Bank of Jamaica (BOJ) Reduces Benchmark Interest Rate to 1.75%

Effective today, December 21st, 2018, the Bank of Jamaica (BOJ) reduced their policy interest rate (the interest rate offered on overnight placements with the BOJ) by 25 basis points (0.25%) to 1.75%. The BOJ has indicated that its decision to continue its accommodative monetary policy reflects its assessment that inflation is likely to fall below the lower limit of its target range of 4.00%-6.00% in the latter half of 2019 and early 2020. However, the BOJ is predicting that inflation is likely to trend towards 6.00% by June 2019 and gradually trend downwards thereafter. The inflation projection for the latter half of 2019 through to 2020 is predicated on an expectation of lower crude oil prices and lower agricultural prices. Point-to-point inflation as at November 2018, as reported by the Statistical Institute of Jamaica, was 4.1%, lower than the 4.7% recorded at October 2018 and the 4.9% at November 2017.

The BOJ continues to maintain its accommodative monetary policy (characterized by low interest rates) to drive growth in private sector credit expansion at a pace that will generate growth and jobs. However, there is a likelihood of higher interest rates in the United States (US) given that the US Federal Reserve's is forecasting an average two (2) interest rate increases in 2019. The divergence of interest rates in Jamaica relative to the United States is likely to lead to an increase in the demand for US\$ denominated assets and may place upward pressure on the local exchange rate.

Currency Markets

International Currency Market

| Currency | 21-Dec | 14-Dec | DoD % Δ | WoW % Δ | YTD % Δ | YoY % Δ |
|----------|---------|---------|------------|---------|---------|---------|
| EUR: USD | 1.136 | 1.131 | -0.75% | 0.48% | -5.37% | -4.33% |
| GBP: USD | 1.263 | 1.260 | -0.21% | 0.37% | -6.53% | -5.65% |
| USD: CAD | 1.360 | 1.340 | 0.66% | 1.60% | 8.17% | 6.73% |
| USD: JPY | 111.300 | 113.390 | 0.02% | -1.84% | -1.23% | -1.79% |

Local Foreign Currency Market

| Currency | 21-Dec | 20-Dec | 14-Dec | DoD % Δ | WoW % Δ | YTD % Δ |
|----------|--------|--------|--------|---------|---------|---------|
| USD:JMD | 128.71 | 128.69 | 129.40 | 0.02% | -0.53% | 2.97% |
| GBP:JMD | 164.68 | 164.02 | 163.27 | 0.40% | 0.86% | -1.41% |
| CAD:JMD | 96.97 | 97.10 | 97.55 | -0.14% | -0.60% | -0.44% |

Global Interest Rates

| Rates | 21-Dec | 14-Dec | DoD Δ bps | WoW Δ bps | YTD Δ bps | YoY Δ bps |
|--------------------------|--------|--------|--------------|--------------|--------------|--------------|
| 10 Year US Treasury Bond | 2.78% | 2.89% | -3.00 | -11.00 | 37.00 | 30.00 |
| 10 Year UK Gilt | 1.32% | 1.24% | 5.00 | 8.00 | 13.00 | 6.00 |
| GOJ 2025 Global Bond | 5.38% | 5.32% | 0.00 | 6.00 | 94.00 | 95.00 |
| 5 Year US Treasury Bond | 2.63% | 2.73% | -4.00 | -10.00 | 42.00 | 38.00 |
| 5 Year UK Gilt | 0.93% | 0.87% | 5.00 | 6.00 | 21.00 | 16.00 |

Week in Review: December 17 – 21, 2018

Local Equity Market

BEST AND WORST PERFORMERS

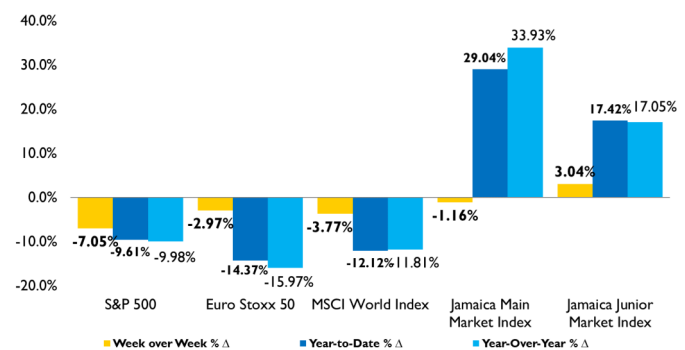
ADVANCERS

DECLINERS

| | | | |
|--------|--------|-----|---------|
| EFRESH | 31.50% | SIL | -15.00% |
| GWEST | 25.98% | JP | -14.49% |
| BIL | 23.71% | MIL | -8.00% |

JSE Main Market activity resulted from trading in **35** stocks of which **12** advanced, **16** declined and **7** traded. Market volume amounted to **29,929,150** units valued at over **\$2,355,740,006**. JSE Junior Market activity resulted from trading in **35** stocks of which **22** advanced, **9** declined and **4** traded firm. Market volume amounted to **7,271,120** units valued at over **\$32,920,273**.

Global Equity Indices



Upcoming Week: December 24-28, 2018

| Report | Country | Period | Forecast | Prior |
|-----------------------------------|----------|--------|----------|-------|
| Change in Nonfarm Payrolls | US | Dec | 180k | 155k |
| CPI MoM | US | Dec | -0.10% | 0.00% |
| ISM Manufacturing | US | Dec | 58 | 59.3 |
| Conf. Board Consumer Confidence | US | Dec | 133 | 135.7 |
| Markit UK PMI Manufacturing SA | UK | Dec | 52.5 | 53.1 |
| Markit Eurozone Manufacturing PMI | Eurozone | Dec F | 51.4 | 51.4 |
| Industrial Production MoM | Japan | Nov P | -1.70% | 2.90% |



Mutual Funds

JN MUTUAL FUNDS

December 20, 2018

Managed
by



A member of the Group

| JN Mutual Funds | NAV Price | 12 Months Growth Rate | YTD Growth Rate | Yield (Estimated Yearly Income) |
|-----------------------------------|-------------|-----------------------|-----------------|---------------------------------|
| Global Diversified Income | J\$12.8758 | 11.89% | 9.59% | 3.05% |
| Global Equity | J\$12.8577 | 12.54% | 10.65% | 0.00% |
| Global Fixed Income | J\$11.3332 | 5.63% | 5.67% | 4.57% |
| Global Money Market (US\$) | US\$10.0673 | 0.70% | 0.67% | 1.00% |
| Global Fixed Income (US\$) | US\$9.9372 | - | -0.63% | 3.54% |
| Local Money Market | J\$10.3396 | 3.49% | 3.49% | 2.30% |

| | Global Money Market Fund | Local Money Market Fund | Global Fixed Income Funds | Global Diversified Income Fund | Global Equity Fund |
|------------------|---|---|--|--|--|
| Objective | To preserve capital whilst providing US dollar (US\$) money market returns | To preserve capital whilst providing Jamaican Dollar (J\$) money market returns | To achieve an attractive total return through capital injection and income growth. This is offered through two separate Funds: (i) A Jamaican dollar (J\$) and (ii) A US dollar (US\$) fund. | To provide long-term investment growth through exposure to a diversified range of asset classes. | To provide long-term capital growth and risk diversification. |
| Strategy | To invest in local and global money market instruments for safety, liquidity and yield. | To invest in local and global money market instruments for safety and liquidity and yield | To invest in regional, sovereign debt securities, local and international corporate bonds. | To invest in fixed income, high dividend yielding stocks, REITs and structured products | To invest in the shares of local and international companies which offer strong growth possibilities and consistent income |

With a suite of six investment portfolios, each with a distinct financial profile, JN Mutual Funds offers a premium opportunity for investors to align their personal financial strategy with their goals, time horizons and risk profile.

Contact us

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