

United States' Business Activity Rises to a Six Month High

According to the latest release from IHS Markit, the United States' (US) Flash Composite Output Index, which measures services and manufacturing activity, recorded a reading of 50 in July, up from the 47.9 recorded in June. July's reading marks the third consecutive month of an improved reading and was the fastest monthly increase since January 2020. A reading above 50, indicates growth in private-sector output. Therefore, July's reading of 50 indicates a somewhat stabilization in private sector output up from the previous months of contraction. The improvement in July was due mainly to the growth recorded in the manufacturing sector signalling the strongest expansion in new orders since January. However, this was tempered by the modest contraction in the services sector output, which accounts for approximately two-thirds of the US economy. Both sectors showed an improvement of more than 1.5 points over the last month. Notwithstanding the improvement in July, growth was limited by a decline in new orders and renewed social distancing measures due to the resurgence of the coronavirus in some densely populated states.

Although the report points to stabilization of US business activity in July, the lack of growth in new business still raises concerns about the continued weakness in consumer demand. Additionally, as the renewed lockdown measures across some states are likely to continue to negatively impact non-essential sales, we hold the view that the uncertainty surrounding the duration of the virus may limit the growth in the services and manufacturing activities in the short-term.

Currency Markets

International Currency Market

Currency	24-Jul	17-Jul	DoD % Δ	WoW % Δ	YTD% Δ	YoY% Δ
EUR: USD	1.166	1.143	0.51%	1.99%	3.94%	4.62%
GBP: USD	1.280	1.260	0.45%	1.83%	-3.46%	2.52%
USD: CAD	1.342	1.360	0.06%	-1.19%	3.29%	2.10%
USD: JPY	106.020	107.020	-0.79%	-0.93%	-2.38%	-2.01%

Local Foreign Currency Market

Currency	24-Jul	23-Jul	17-Jul	DoD % Δ	WoW % Δ	YTD% Δ
USD:JMD	147.99	147.74	146.70	0.17%	0.88%	11.63%
GBP:JMD	188.01	188.13	181.73	-0.06%	3.46%	9.5%
CAD:JMD	110.73	111.88	107.58	-1.03%	2.92%	10.6%

Global Interest Rates

Rates	24-Jul	17-Jul	DoD Δ bps	WoW Δ bps	YTD Δ bps	YoY Δ bps
10 Year US Treasury Bond	0.59%	0.63%	1.00	-4.00	-133.00	-145.00
10 Year UK Gilt	0.14%	0.16%	2.00	-2.00	-68.00	-54.00
GOJ 2025 Global Bond	4.56%	4.67%	6.00	-11.00	71.00	19.00
5 Year US Treasury Bond	0.27%	0.28%	0.00	-1.00	-142.00	-154.00
5 Year UK Gilt	-0.10%	-0.07%	1.00	-3.00	-70.00	-57.00

Week in Review: July 20 – July 24, 2020

Local Equity Market

BEST AND WORST PERFORMERS

ADVANCERS		DECLINERS	
ROC	29.24%	PAL	-11.43%
PURITY	27.05%	MDS	-11.26%
CHL	18.46%	BPOW	-10.29%

JSE Main Market activity (excluding preference shares) resulted from trading in **42** stocks of which **17** advanced, **21** declined and **4** traded firm. Market volume (excluding preference shares) amounted to **25,316,659** units valued at over **\$212,465,585**. JSE Junior Market activity (excluding preference shares) resulted from trading in **40** stocks of which **19** advanced, **13** declined and **8** traded firm. Market volume (excluding preference shares) amounted to **15,964,712** units valued at over **\$54,731,601**.

Global Equity Indices

Index	31-Dec	17-Jul	24-Jul	WoW % Δ	YTD% Δ	YoY% Δ
S&P 500	3,230.65	3,224.73	3,215.63	-0.28%	-0.46%	6.49%
Euro Stoxx 50	3,745.15	3,365.60	3,310.89	-1.63%	-11.60%	-6.28%
MXWD Index	565.24	548.05	552.47	0.81%	-2.26%	3.88%
JSE Main Market Index	509,916.44	375,955.23	370,306.82	-1.50%	-27.38%	-26.64%
JSE Junior Market Index	3,348.97	2,529.34	2,555.47	1.03%	-23.69%	-20.94%
JSE Combined Index	505,253.98	373,121.12	368,202.41	-1.32%	-27.13%	-26.25%

Upcoming Week: July 27 – July 31, 2020

Country	Report	Period	Forecast	Prior
US	Initial Jobless Claims	25-Jul	1,450,000	1,420,000
US	GDP Annualized QoQ	2Q A	-35%	-5.00%
US	U. of Mich. Sentiment	Jul F	72.70	73.20
JN	Industrial Production MoM	Jun P	0.90%	-8.90%
JN	Jobless Rate	Jun	0.03	0.03
GE	IFO Business Climate	Jul	89.30	86.20
IT	CPI EU Harmonized YoY	Jul P	-0.10%	-0.40%

LOCAL STOCK RECOMMENDATIONS

COMPANY NAME	PRICE MOVEMENTS <small>Js</small>	STATISTICS	COMPANY VITALS	INDUSTRY VITALS	RATIONALE
July 24, 2020					
JMMB Group Ltd (JMMBGL)	<p>Current Price \$31.48</p> <p>52 Week High \$55.00</p> <p>53 Week Low \$30.01</p> <p>WoW % 0.11%</p> <p>YTD % -32.38%</p>	<p>EPS \$3.61</p> <p>BVPS \$21.06</p> <p>T12M Div. \$0.49</p> <p>Div. Yield % 1.56%</p>	<p>ROE 17.16%</p> <p>P/E 8.71</p> <p>P/B 1.49</p>	<p>ROE 18.40%</p> <p>P/E 13.78</p> <p>P/B 1.47</p>	<p>JMMBGL is one of Jamaica's largest financial services corporations, entering the market in 1992 as the first Money Market Brokerage firm. The holding company, JMMB Group Limited, was formed as a parent to house the group of companies. To date, the JMMB Group Ltd. has extended its reach across the Caribbean, including the Dominican Republic and Trinidad and Tobago. The Group has over 314,000 clients and continues to grow steadily. We believe that in addition to its core businesses, key strategic partnerships such as the 22.2% stake in Sagcor Financial Corporation allows JMMBGL to achieve further diversification and increased profitability.</p>
	BUY				
Access Financial Services Ltd (AFS)	<p>Current Price \$23.50</p> <p>52 Week High \$47.95</p> <p>53 Week Low \$17.65</p> <p>WoW % 0.00%</p> <p>YTD % -31.83%</p>	<p>EPS \$1.20</p> <p>BVPS \$7.91</p> <p>T12M Div. \$0.49</p> <p>Div. Yield % 2.09%</p>	<p>ROE 15.19%</p> <p>P/E 19.56</p> <p>P/B 2.97</p>	<p>ROE 24.16%</p> <p>P/E 57.35</p> <p>P/B 2.62</p>	<p>AFS has experienced fluctuating results over the last four years, which has translated into less than steady growth in net profits. Due to the microfinance industry's importance in meeting the needs of the "unbanked", the industry has been in the focus of the government in recent times and is expected to face new regulations in the near term. Among others, the Microcredit Act tabled in parliament in 2019, is expected to curb the "excessive interest rates" being charged by microlenders. However, this and other regulations could likely make the industry less attractive and may ultimately lead to a slowing of funding flows to the vital MSMEs. The current coronavirus pandemic is another major downside risk that is already leading to a curtailment of economic activity in Jamaica. As AFS' loan portfolio is heavily skewed towards personal loans, we project that the company will struggle to grow its loan portfolio over the short to medium term due to the expected decline in loan demand and that its provision for credit losses will increase as its borrowers' creditworthiness becomes impaired.</p>
	SELL				
Caribbean Producers Jamaica Ltd (CPJ)	<p>Current Price \$2.43</p> <p>52 Week High \$5.30</p> <p>53 Week Low \$2.00</p> <p>WoW % 0.93%</p> <p>YTD % -53.25%</p>	<p>EPS (\$0.02)</p> <p>BVPS \$2.72</p> <p>T12M Div. \$0.00</p> <p>Div. Yield % 0.00%</p>	<p>ROE -0.77%</p> <p>P/E -115.86</p> <p>P/B 0.89</p>	<p>ROE 16.35%</p> <p>P/E 23.25</p> <p>P/B 2.70</p>	<p>CPJ is a leading foodservice supplier to the hospitality sector in Jamaica, with over 25 years of experience. Over the years, the Company has focused on generating operational efficiencies in order to remain competitive in a fast-changing industry and where the cost structure of the business is such that its gross and profit margins are extremely low. The knock-on effect of the low margins is that the Company does not have the flexibility to absorb cost shocks before generating losses. Over the years, CPJ has tried to diversify its business to serve clients in the wider hospitality and retail sectors, however, its revenues are still dominated by its transactions within the tourism industry. As a result, with the current virtual shuttering of hotels and the limit placed on others in the hospitality sector, such as bars and restaurants, and supermarkets, our projection is that over the short to medium term CPJ's profitability is likely to be significantly impaired.</p>
	SELL				
Wigton Windfarm Ltd(WIG)	<p>Current Price \$0.77</p> <p>52 Week High \$1.15</p> <p>53 Week Low \$0.50</p> <p>WoW % -1.68%</p> <p>YTD % -21.21%</p>	<p>EPS \$0.06</p> <p>BVPS \$0.31</p> <p>T12M Div. \$0.00</p> <p>Div. Yield % 0.00%</p>	<p>ROE 19.17%</p> <p>P/E 12.73</p> <p>P/B 2.44</p>	<p>ROE 7.53%</p> <p>P/E 21.31</p> <p>P/B 1.60</p>	<p>We believe that Wigton Windfarm provides an advantage for investors in three main ways. The first is diversification, as it is an alternative energy investment which becomes more crucial in the midst of global warming. The second is an increase in medium to long term value driven by profitability. The third is liquidity as the availability of shares is wide and allows a tidy entry into or exit out of the investment. Wigton Windfarm has potential competition from MPC Caribbean and New Fortress Energy but they together form an ecosystem which is needed to move the Caribbean away from its reliance on Fossil Fuels, the 2nd most expensive item on Jamaica's import bill.</p>
	HOLD				

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LOCAL STOCK RECOMMENDATIONS

COMPANY NAME	PRICE MOVEMENTS <small>Js</small>	STATISTICS	COMPANY VITALS	INDUSTRY VITALS	RATIONALE		
July 24, 2020							
Jamaica Broilers Group Ltd (JBG)	Current Price	\$25.06	EPS	\$1.13	ROE 8.56%	<p>Having been in operation for over sixty years, JBG has grown into an iconic brand in Jamaica and now has an increasing presence in the region. The Company's Jamaican operations continue to have a significant impact in the local marketplace through its Best Dressed Chicken and Hi-Pro divisions. However, the local market is mature with growth expected to be low in the medium term. With operations already firmly set in Haiti, JBG moved further to cement a stronghold and presence along the supply chain in the US with its recent acquisitions. In our view, these acquisitions and other inorganic initiatives are expected to be the catalyst for JBG's growth going forward.</p>	
	52 Week High	\$43.63	BVPS	\$13.25	ROE 13.35%		
	53 Week Low	\$21.00	T12M Div.	\$0.57	P/E 22.10		P/E 26.03
	WoW %	-5.86%	Div. Yield %	2.27%	P/B 1.89		P/B 3.29
	YTD %	-38.73%					
BUY							
Wisynco Ltd (WISYNCO)	Current Price	\$17.64	EPS	\$0.81	ROE 23.69%	<p>Wisynco's customers typically include restaurants, supermarkets retail and whole-sale outlets, schools and other food service outlets. As a result of the social distancing orders being enforced by the Government to curb the spread of the virus, the operations of the Company's customers base have been severely disrupted. We acknowledged, however, that the Company's strong brand presence in the food manufacturing and distribution sector, strong balance sheet and distribution network will go a far way to ensure that Wisynco remain resilient over the long-term. We believe that the Management's experience in distribution and the Company's investment in Innovation will be huge drivers of equity return over time. Notwithstanding, over the short to medium term (up to three years) Wisynco's profitability will be challenged as over 95% of the Company's revenues are generated locally and local consumer demand has declined and likely to remain subdued over the short to medium term. In our scenario, the Company is projected to return to pre-COVID state in the FY 2024/FY 2025.</p>	
	52 Week High	\$30.00	BVPS	\$3.41	ROE 13.35%		
	53 Week Low	\$11.50	T12M Div.	\$0.19	P/E 21.84		P/E 26.03
	WoW %	0.76%	Div. Yield %	1.08%	P/B 5.17		P/B 3.29
	YTD %	-24.32%					
HOLD							
Seprod Ltd (SEP)	Current Price	\$54.99	EPS	\$2.21	ROE 9.96%	<p>With the onset of COVID-19, restaurants, supermarkets, bakeries and corner shops in communities have been forced to operate within restricted parameters or have completely shuttered. The restrictions being placed on some of Seprod's key customer groups are likely to lead to a depression in the consumption of the company's products, notwithstanding, that most of what Seprod manufactures and distributes are 'necessity items. Our estimate is that Seprod's revenues will contract by ~14% in FY 2020. As thousands of Jamaicans have lost their jobs, unemployment will likely increase in the short to medium term. Even in cases where jobs are retained, some employers have looked to salary cuts in keeping employees. With the expected reduction in income it is likely that the support for the company's "normal goods" will be low.</p>	
	52 Week High	\$70.00	BVPS	\$22.18	ROE 13.35%		
	53 Week Low	\$30.00	T12M Div.	\$1.00	P/E 24.89		P/E 26.03
	WoW %	5.61%	Div. Yield %	1.82%	P/B 2.48		P/B 3.29
	YTD %	7.87%					
HOLD							

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Mutual Funds

JN MUTUAL FUNDS

July 23, 2020



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\$13.6707	-2.67%	-6.37%	2.28%
Global Equity	J\$14.1317	-16.30%	-21.84%	0.00%
Global Fixed Income	J\$12.4629	5.70%	4.00%	4.61%
Global Money Market (US\$)	US\$10.4566	2.89%	1.88%	3.69%
Global Fixed Income (US\$)	US\$10.4629	2.13%	1.23%	5.15%
Local Money Market	J\$10.8755	3.48%	2.23%	4.01%

	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.

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