

## Remittance Critical to Jamaica staying Afloat in 2020

The economic crisis induced by COVID-19 is projected to be devastating for most economies in 2020. As the global population adjusted to life under travel restrictions and many stayed at home, in fear of the virus, economic activity came to a near standstill. Consequently, unemployment spiked during the peak of the pandemic - in the second quarter.

Although economic activities and employment levels around the world have rebounded, to varying degrees, they are still far from pre-crisis levels and as a result our near-term outlook remains highly uncertain. According to the International Monetary Fund (IMF), global Gross Domestic Product (GDP) is projected to decline by 4.4% in 2020 but expected to commence a recovery in 2021 with a global growth of 5.2%. Countries in Latin America & the Caribbean are expected to see a more severe contraction this year of 8.1% and experience a slower recovery rate in 2021 with growth of 3.6%.

Similar to other economies in Latin America and the Caribbean, Jamaica's economy is expected to experience a steeper contraction in 2020, due to a combination of factors including the importance of the acutely impacted tourism sector to Jamaica's economy and its relatively greater dependence on external financing, including remittances. According to the IMF, Jamaica is projected to see a contraction of 8.6% in 2020 before expanding by 3.6% in 2021.

Remittance flows to low-and-middle income countries (LMICs) hit a record high of US\$548.0 billion in 2019 and was larger than foreign direct investment (FDI) flows of US\$534.0 billion and overseas development assistance (ODA) of around US\$166.0 billion. In 2019, Jamaica's remittance inflows were US\$2.57 billion or 15.6% of GDP while FDI amounted to approximately 4.0%. As tourism, which contributed approximately US\$3.7 billion in 2019, had declined by over 60.0% up to September 2020<sup>1</sup>, many households will be looking towards remittances to augment their consumption during this period of low economic growth.

Due to the impact COVID-19 is having on the trajectory of economic activities in the major migrant-hosting countries, including the United States, Europe and the Gulf Cooperation Council countries remittance flows to LMICs were projected to decline by 7.2% in 2020 followed by a further decline of 7.5% in 2021 in the World Bank's latest projections. These declines mark the largest seen in recent history and steeper than the 5.0% drop recorded in 2009 during the global recession. Unsurprisingly, the main factors impacting the projected declines in remittances were weak economic growth and job uncertainties in migrant-hosting countries, weak oil price and in many remittance-source countries, an unfavourable exchange rate versus the US dollar.

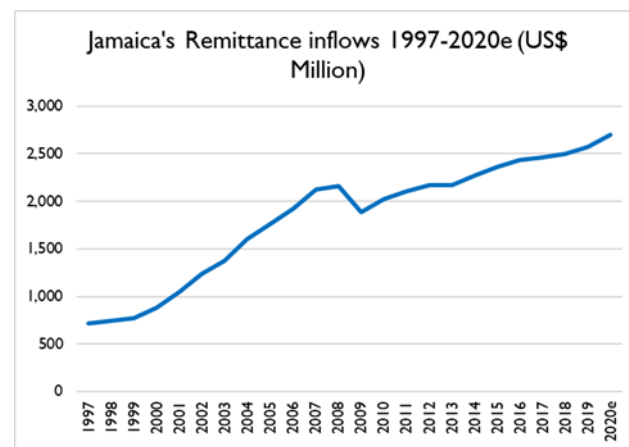
According to the World Bank remittances to Latin America and the Caribbean are expected to contract by only -0.2% and reach US\$96 billion in 2020. This would mark the first negative growth in remittances to the region since 2009. Consistent with the trend globally, remittances to the region contracted in the second quarter of 2020 but had largely rebounded after. Remittance flows to Jamaica contracted March to April and recovered after with an increase of over 43.0% in July 2020, when compared to July 2019. The United States of America (USA) remained Jamaica's largest source of remittances in the period, followed by Canada, United Kingdom (UK), and the Cayman Islands, with a ratio of 67.0%, 11.1%, 10.8% and 7.3%, respectively. On a year-to-date basis, up to July 2020, Jamaica's 13.4% growth in remittance inflow was among the highest in the region<sup>2</sup>.

Anecdotally, the spike in July probably reflects the fact that the lockdowns in the months prior to July, resulted in funds being accumulated and remitted once restrictions were eased in the source countries.

It is also likely that the policy response by the various source countries governments assisted migrants and enabled them to remit funds to their dependents. Remittance flows are characterized as countercyclical during a growth slowdown in the recipient country and has helped Jamaica adjust to external and macroeconomic policy shocks (Maimbo and Ratha, 2005). The data presented in graph seem to concur with this, up to 2008. According to the data retrieve from the World Bank, remittance inflows to Jamaica climbed from US\$715 million to US\$2.16 billion over the period. The upward trend in remittances persisted during US economic downturn following the "9/11 Attack" and during local disasters as the May floods in 2002 and Hurricanes Ivan and Dean in 2004 and 2007, respectively<sup>3</sup>.

However, in 2009, during the global financial crisis, remittance inflows declined by approximately 12.0% before a return to growth in 2010. The results of the Bank of Jamaica (BOJ) survey conducted in 2010 found that about 70% recipients of the respondents indicated that remitters were impacted from reduced hours, job losses, job uncertainty, higher bills or mortgage payments. The BOJ survey also highlighted that in 2008/2009 majority of senders were concentrated in service-oriented occupations such as nursing, teaching, housekeeping and hotels and restaurant work which were less impacted back then. However, given the nature of COVID-19, which spreads during face to face interaction, these occupations are now the most impacted.

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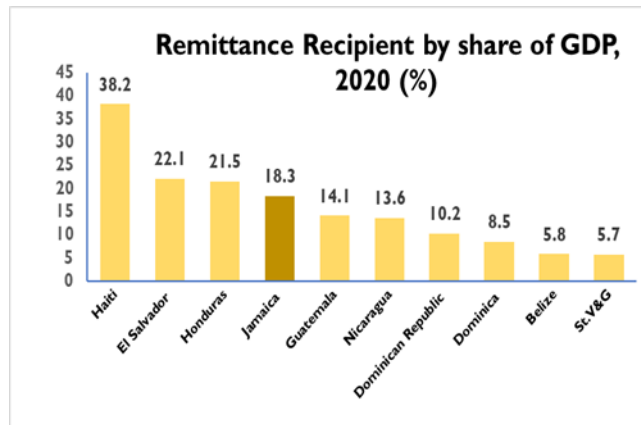
<sup>1</sup>Jamaica Information Service - Ministry of Tourism

<sup>2</sup>Bank of Jamaica – Remittance Bulletin - July 2020

<sup>3</sup>Bank of Jamaica – Remittance to Jamaica Survey 2010

Notwithstanding its resilience so far, remittance to Jamaica which have become an important source of foreign exchange and balance of payments support could slow over the ensuing periods. The fact that unemployment is still very high in the US<sup>4</sup> and the other main remittance source countries is the main support for our view. Additionally, the fact that the US Democrats and Republicans are yet to agree on a second stimulus plan adds further uncertainty, which is likely to negatively impact remittance flows to the country. According to World Bank remittance to Jamaica is projected to grow by 5.0% in 2020 for an estimated US\$2.7 billion. At this level remittance inflows to Jamaica will account for 18.3% of the country's GDP in 2020.

While a decline may be the most likely scenario, the resiliency in remittance cannot be downplayed. The resiliency in remittance likely stems from the strong ties between the migrant sending money back home and the recipients as well as the high motivation of majority of the senders to remit money altruistically, to support their family in Jamaica. However, the passing of a second stimulus in the US is critical to the resilience of remittance in the short term while the return of growth in the source countries is critical to growth of remittance over the medium to long term.



<sup>4</sup>US Unemployment at 6.9% October 2020 – U.S. Bureau Labor Statistics

## Currency Markets

### International Currency Market

Currency	13-Nov	6-Nov	DoD % Δ	WoW % Δ	YTD % Δ	YoY % Δ
EUR: USD	1.183	1.187	0.24%	-0.34%	5.54%	7.51%
GBP: USD	1.320	1.320	0.59%	0.30%	-0.46%	2.68%
USD: CAD	1.315	1.310	0.04%	0.74%	1.20%	-0.79%
USD: JPY	104.590	103.350	-0.51%	1.20%	-3.70%	-3.89%

### Local Foreign Currency Market

Currency	13-Nov	12-Nov	6-Nov	DoD % Δ	WoW % Δ	YTD % Δ
USD:JMD	147.94	147.80	148.46	0.09%	-0.35%	11.60%
GBP:JMD	195.61	197.86	195.22	-1.13%	0.20%	14.0%
CAD:JMD	112.83	113.91	114.42	-0.95%	-1.39%	12.7%

## Global Interest Rates

Rates	13-Nov	6-Nov	DoD Δ bps	WoW Δ bps	YTD Δ bps	YoY Δ bps
10 Year US Treasury Bond	0.89%	0.82%	1.00	7.00	-103.00	-100.00
10 Year UK Gilt	0.34%	0.27%	-1.00	7.00	-48.00	-42.00
GOJ 2025 Global Bond	4.03%	4.09%	0.00	-6.00	18.00	3.00
5 Year US Treasury Bond	0.40%	0.36%	1.00	4.00	-129.00	-129.00
5 Year UK Gilt	0.02%	-0.03%	0.00	5.00	-58.00	-51.00

## Week in Review: Nov 9 - Nov 13, 2020

### Local Equity Market

#### BEST AND WORST PERFORMERS

ADVANCERS		DECLINERS	
SJ	16.98%	CAC	-42.37%
FIRSTROCK	10.63%	tTech	-25.22%
USD		CHL	-18.06%
MAILPAC	10.50%		

JSE Main Market activity (excluding preference shares) resulted from trading in 44 stocks of which 16 advanced, 24 declined and 4 traded firm. Market volume (excluding preference shares) amounted to 68,320,191 units valued at over \$1,082,460,052. JSE Junior Market activity (excluding preference shares) resulted from trading in 40 stocks of which 15 advanced, 18 declined and 7 traded firm. Market volume (excluding preference shares) amounted to 55,931,793 units valued at over \$171,476,669




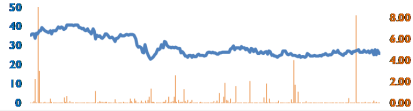



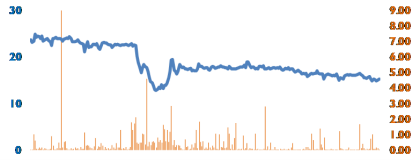



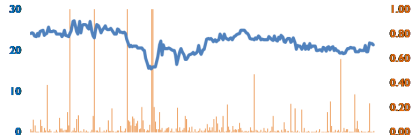
### Global Equity Indices

Index	31-Dec	6-Nov	13-Nov	WoW % Δ	YTD % Δ	YoY % Δ
S&P 500	3,230.65	3,509.44	3,585.16	2.16%	10.97%	15.87%
Euro Stoxx 50	3,745.15	3,204.05	3,432.07	7.12%	-8.36%	-7.23%
MXWD Index	565.24	592.76	606.06	2.24%	7.22%	11.84%
JSE Main Market Index	509,916.44	368,737.93	377,828.83	2.47%	-25.90%	-25.10%
JSE Junior Market Index	3,348.97	2,539.03	2,532.35	-0.26%	-24.38%	-25.50%
JSE Combined Index	505,253.98	366,576.16	374,875.40	2.26%	-25.80%	-25.14%

## Upcoming Week: Nov 16 - Nov 20, 2020

Country	Report	Period	Forecast	Prior
US	Initial Jobless	14-Nov	715,000	709,000
US	MBA Mortgage	13-Nov	--	-0.50%
US	Retail Sales	Oct	0.50%	1.90%
UK	CPI YoY	Oct	0.50%	0.50%
UK	CPI MoM	Oct	-0.10%	0.40%
CA	CPI YoY	Oct	--	0.50%
JN	Jibun Bank Japan	Nov P	--	48.7

# LOCAL STOCK RECOMMENDATIONS

COMPANY NAME	PRICE MOVEMENTS J\$	STATISTICS	COMPANY VITALS	INDUSTRY VITALS	RATIONALE	
November 13, 2020						
Jamaica Broilers Group Ltd (JBG)	Current Price	\$26.03	EPS \$1.15	 ROE 8.33%	ROE 15.11%	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.
	52 Week High	\$41.00	BVPS \$13.83	 P/E 22.59	P/E 25.16	
	53 Week Low	\$21.00	T12M Div. \$0.57	 P/B 1.88	P/B 3.12	
	WoW %	-6.10%	Div. Yield % 2.19%			
BUY	YTD %	-36.37%				
						
Wisynco Ltd (WISYNCO)	Current Price	\$15.26	EPS \$0.65	 ROE 17.51%	ROE 15.11%	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.
	52 Week High	\$26.00	BVPS \$3.70	 P/E 23.57	P/E 25.16	
	53 Week Low	\$11.50	T12M Div. \$0.19	 P/B 4.13	P/B 3.12	
	WoW %	2.16%	Div. Yield % 1.25%			
HOLD	YTD %	-34.53%				
						
Jamaica Producers Group (JP)	Current Price	\$21.35	EPS \$3.41	 ROE 23.55%	ROE 12.44%	Undoubtedly, COVID-19 has had a negative impact on aspects of the business and is likely to continue to weigh on those segments for the remainder of this year, even as the company adjusts its operations to deal with the pandemic. Some segments have remained strong; however, the pandemic has created opportunities for new retail channels to offset the downturn seen in some segments. Importantly, JP is further seeking to strengthen its business over the medium term to improve its capacity, to drive long term growth at the same time it continues to invest in strong food and logistics businesses. Despite COVID-19, JP remains strong with several key financial metrics, including its large and growing cash and securities balance, providing the group with the flexibility to manage and execute on strategies of acquiring undervalued assets.
	52 Week High	\$28.50	BVPS \$14.47	 P/E 6.26	P/E 14.60	
	53 Week Low	\$15.00	T12M Div. \$0.15	 P/B 1.47	P/B 1.48	
	WoW %	8.32%	Div. Yield % 0.70%			
BUY	YTD %	-21.67%				
						

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# LOCAL STOCK RECOMMENDATIONS

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November 13, 2020									
JMMB Group Ltd (JMMBGL)	Current Price	\$31.89	EPS	\$3.44	ROE	14.33%	ROE	15.76%	<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 316,000 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 Sagicor Financial Corporation allows JMMBGL to achieve further diversification and increased profitability.</p>
	52 Week High	\$48.50	BVPS	\$24.01	P/E	9.27	P/E	17.39	
	53 Week Low	\$28.00	T12M Div.	\$0.49	P/B	1.33	P/B	2.24	
	WoW %	3.70%	Div. Yield %	1.54%					
BUY	YTD %	-31.48%							
Seprod Ltd (SEP)	Current Price	\$62.75	EPS	\$4.26	ROE	18.90%	ROE	15.11%	<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. Although the COVID-19 pandemic has had a negative impact on Seprod's operations, the Group's diversified portfolio has proven to be resilient thus far. Looking ahead, there are still risks that could negatively impact global supply chains and ultimately affect raw material prices, consumer income and economic growth. Notwithstanding, given our estimate that the worst part of the covid-19 restrictions may be behind us, we are expecting that the companies good performance could likely continue into at least the short term. Over the last five years, the group has invested significantly in strengthening its operations and its resiliency. The investments include consolidating aspects of its business where costs were being duplicated, which is a move to position itself for continued resilience and competitiveness in face of the uncertainty which lies ahead. Over the medium-term, the group has further investments plans to improve its distribution, warehousing and logistics efforts that are expected to augment the Groups' profitability over time.</p>
	52 Week High	\$70.00	BVPS	\$22.55	P/E	14.73	P/E	25.16	
	53 Week Low	\$30.00	T12M Div.	\$1.00	P/B	2.78	P/B	3.12	
	WoW %	2.86%	Div. Yield %	1.59%					
BUY	YTD %	23.09%							
Wigton Windfarm Ltd(WIG)	Current Price	\$0.72	EPS	\$0.05	ROE	14.85%	ROE	5.70%	<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>
	52 Week High	\$1.15	BVPS	\$0.35	P/E	13.73	P/E	27.20	
	53 Week Low	\$0.50	T12M Div.	\$0.00	P/B	2.04	P/B	1.11	
	WoW %	-6.74%	Div. Yield %	0.00%					
HOLD	YTD %	-26.01%							

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# Mutual Funds

## JN MUTUAL FUNDS

November 12, 2020

Fund Managers Ltd.

A member of the Group

JN Mutual Funds	NAV Price	12 Months Growth Rate	YTD Growth Rate	Yield (Estimated Yearly Income)
<b>Global Diversified Income</b>	J\$13.5723	-5.68%	-7.05%	2.14%
<b>Global Equity</b>	J\$14.4640	-15.62%	-20.00%	0.00%
<b>Global Fixed Income</b>	J\$12.7068	5.35%	6.04%	4.68%
<b>Global Money Market (US\$)</b>	US\$10.5628	3.22%	2.91%	3.75%
<b>Global Fixed Income (US\$)</b>	US\$10.6670	3.54%	3.20%	4.91%
<b>Local Money Market</b>	J\$11.0383	4.03%	3.76%	4.67%

	Global Money Market Fund	Local Money Market Fund	Global Fixed Income Funds	Global Diversified Income Fund	Global Equity Fund
<b>Objective</b>	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.
<b>Strategy</b>	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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