



Should you Invest in Bonds Rather than Repos?

Repurchase agreements and bonds are two financial instruments that are widely used in Jamaica and around the world. But how well does the market understand the two? How do you decide which is better, and when should you switch from one to the other? A few of our colleagues recently asked us to make a distinction, so here we go.

A repurchase agreement (repo) is a short-term borrowing agreement between institutional or government securities dealers, which is less than one year. In the case of repos, a dealer sells government securities and other money market financial instruments to investors, typically overnight, and then buys them back the next day at a slightly higher price. The implicit overnight interest rate is that small price difference. Even though repos are short-term, these agreements provide a level of assurance to the buyer of the security merely because they attract interest and are backed by collateral. The collateral in a repurchase agreement is the security purchased by the buyer; this security ensures that both parties' financial needs are met. Typically, repos are used to raise short-term capital. They are also a common tool used by central banks to conduct open market operations.

A bond, on the other hand, typically has a tenor of more than a year and may even be issued in perpetuity. In its most basic form, a bond is a loan from an investor to a borrower, usually a company or government. Companies, municipalities, and sovereign governments often use bonds to fund projects and operations. The first bondholder can sell bonds to other investors after they are issued, which means that a bond investor is not required to hold a bond until it matures. Bonds are also frequently repurchased by the borrower or "called" when interest rates fall or the borrower's credit improves, allowing it to release new bonds at a lower cost. In contrast to a repo, which is usually a very secure investment, a bond may fall anywhere on the credit spectrum from investment grade and very secure to "junk" and very risky.

Now that we have covered the basics of each, we will now look at whether it's a good idea to switch from a repo to a bond, a question that has been raised by a few clients recently. However, a 'right answer' to this question is highly dependent on each client's individual scenario and circumstances. In any case, we will try to provide a general answer here.

Assume we have a client who is undecided about making the switch. The client is currently invested in a repo with a maturity of less than a year but would like to purchase a bond with a maturity of five years that is 'investment grade.' The bond and the repo are both denominated in US dollars. In today's investment environment, where interest rates have been extremely low for an extended period, some clients have been able to profitably invest in US dollar repurchase agreements with coupons that are higher than the yield on some investment-grade bonds. This means that our hypothetical client does not have a compelling case for switching from repos to bonds right now.

Furthermore, with central banks around the world now contemplating some degree of tapering off after providing liquidity to financial markets for the past 18 months during the pandemic, and with interest rates now at historic lows, it is now more likely that rates will rise at least in the medium term. This possibility of rising interest rates is another reason for investors to invest in repos with shorter maturities so that when interest rates rise and their repo investment matures, they can reinvest at higher rates, whereas if the client had invested in the bond, they would either have to sell in a depressed bond market or hold until maturity at the lower yield.

For the months of September and October, trade your stocks through JTrader Pro and pay 0.00% commission. Talk to your JN Fund Managers Advisor

Currency Markets

International Currency Market

Currency	24-Sep	17-Sep	DoD % Δ	WoW % Δ	YTD % Δ	YoY % Δ
EUR: USD	1.172	1.173	-0.15%	-0.03%	-4.05%	0.42%
GBP: USD	1.367	1.370	-0.34%	-0.49%	0.03%	7.27%
USD: CAD	1.265	1.280	-0.05%	-0.90%	-0.60%	-5.34%
USD: JPY	110.750	109.930	0.38%	0.75%	7.26%	5.07%

Local Foreign Currency Market

Currency	24-Sep	23-Sep	17-Sep	DoD % Δ	WoW % Δ	YTD % Δ
USD:JMD	147.77	148.24	149.10	-0.32%	-0.89%	3.59%
GBP:JMD	205.49	205.99	205.60	-0.24%	-0.05%	6.1%
CAD:JMD	118.09	117.93	118.23	0.14%	-0.12%	6.0%

Global Interest Rates

Rates	24-Sep	17-Sep	DoD Δ bps	WoW Δ bps	YTD Δ bps	YoY Δ bps
10 Year US Treasury Bond	1.45%	1.36%	2.00	9.00	54.00	78.00
10 Year UK Gilt	0.93%	0.85%	2.00	8.00	73.00	71.00
GOJ 2025 Global Bond	3.63%	3.59%	4.00	4.00	18.00	-55.00
5 Year US Treasury Bond	0.95%	0.86%	0.00	9.00	59.00	67.00
5 Year UK Gilt	0.59%	0.51%	0.00	8.00	68.00	66.00

Commodities

Commodity	24-Sep	DoD % Δ	WoW % Δ	YTD % Δ	YoY % Δ
Crude Oil	73.94	0.87%	2.74%	52.39%	83.43%
Gold	1747.64	0.28%	-0.38%	-7.94%	-6.45%
Silver	22.39	-0.55%	0.02%	-15.20%	-3.28%
Aluminium	2915.5	-1.15%	1.04%	47.28%	67.56%

Week in Review: Sept 20 - Sept 24, 2021

Local Equity Market

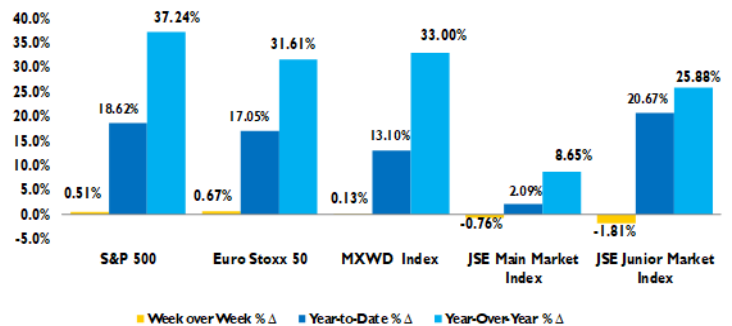
BEST AND WORST PERFORMERS

ADVANCERS		DECLINERS	
AMG	19.28%	HONBUN	-16.45%
FESCO	18.44%	SALF	-14.53%
JETCON	15.05%	LAB	-13.47%

JSE Main Market activity (excluding preference shares) resulted from trading in 47 stocks of which 12 advanced, 33 declined and 2 traded firm. Market volume (excluding preference shares) amounted to 53,220,760 units valued at over \$629,018,711. JSE Junior Market activity (excluding preference shares) resulted from trading in 41 stocks of which 13 advanced, 26 declined and 2 traded firm. Market volume (excluding preference shares) amounted to 36,771,824 units valued at over \$109,810,282.

Global Equity Indices




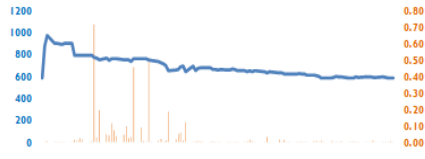



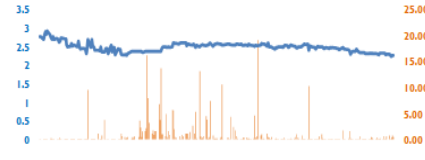







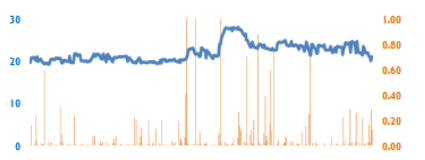
Index	31-Dec	17-Sep	24-Sep	WoW % Δ	YTD % Δ	YoY % Δ
S&P 500	3,756.07	4,432.99	4,455.47	0.51%	18.62%	37.24%
Euro Stoxx 50	3,552.64	4,130.84	4,158.51	0.67%	17.05%	31.61%
MXWD Index	646.27	729.99	730.93	0.13%	13.10%	33.00%
JSE Main Market Index	395,614.93	406,950.76	403,871.30	-0.76%	2.09%	8.65%
JSE Junior Market Index	2,643.38	3,248.47	3,189.83	-1.81%	20.67%	25.88%
JSE Combined Index	392,435.92	409,371.15	405,934.80	-0.84%	3.44%	9.93%



Upcoming Week: Sept 27 - Oct 1, 2021

Country	Report	Period	Forecast	Prior
US	Initial Jobless Claims	25-Sep	325,000	351,000
US	GDP Annualized QoQ	2Q T	6.60%	6.60%
US	ISM Manufacturing	Sep	60	60
US	U. of Mich. Sentiment	Sep F	71	71
JN	Industrial Production MoM	Aug P	-0.50%	-1.50%
JN	Jobless Rate	Aug	2.90%	2.80%
UK	GDP QoQ	2Q F	4.80%	4.80%
UK	GDP YoY	2Q F	22.20%	22.20%

LOCAL STOCK RECOMMENDATIONS

COMPANY NAME	PRICE MOVEMENTS	Js	STATISTICS	COMPANY VITALS	INDUSTRY VITALS	RATIONALE		
September 24, 2021								
Guardian Holdings Ltd. (GHL)	Current Price	\$584.84	EPS	\$80.71	ROE	18.20%	 ROE 13.71%  P/E 7.25  P/B 1.32	Guardian is one of the region's leading financial institutions with a long history of delivering strong revenue growth and profitability. The company operates in most of the countries in the Caribbean and is rated among the top five in the major markets in which it operates. Like most companies regionally, the Guardian Group was severely challenged in 2020. However, in 2020, the Group delivered operational and financial results which were creditable along several metrics and especially when taken in the context of the pandemic. While we are very aware that the COVID-19 pandemic is not over, it is very likely that the worst is behind us. With vaccination programme being rolled out regionally and as respective governments continue to ease out of the pandemic the companies within the region continue to gradually recover from the crisis. This recovery is also evident for Guardian Group which posted revenues and profits in Q1 2021 which are significantly above its previous year's.
	52 Week High	\$1,134.90	BVPS	\$443.33	ROE	13.71%		
	53 Week Low	\$560.00	T12M Div.	\$4.04	P/E	12.77		
	WoW %	-0.87%	Div. Yield %	0.69%	P/B	1.99		
YTD %	0.40%							
BUY								
Derrimon Trading Co Ltd (DTL)	Current Price	\$2.26	EPS	\$0.09	ROE	7.36%	 ROE 15.66%  P/E 24.85  P/B 1.83	Derrimon is vertically integrated whereby it manufactures and distributes through its own channels such as Sampars and its Select grocers retail outlets. Over the last five years the company has gone through a tremendous transformation driven by its organic growth in its primary distribution segment and through acquisitions. Consequently, it has delivered expansion which has seen its revenue more than double in five years and profits more than tripled. Although the coronavirus pandemic has slowed business activity in Jamaica generally, and has slowed Derrimon's revenue growth by approximately 1.0% up to September 2020, DTL has remained very profitable. Over the period, the Group delivered profit growth of 27.0% which is a signal of its strength and resiliency given the context of the COVID-19 pandemic.
	52 Week High	\$3.00	BVPS	\$1.24	ROE	15.66%		
	53 Week Low	\$2.00	T12M Div.	\$0.01	P/E	20.10		
	WoW %	-1.54%	Div. Yield %	0.43%	P/B	2.87		
YTD %	-4.75%							
BUY								
Seprod Ltd (SEP)	Current Price	\$63.30	EPS	\$3.79	ROE	15.47%	 ROE 18.51%  P/E 16.71  P/B 2.59	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.
	52 Week High	\$85.00	BVPS	\$24.48	ROE	18.51%		
	53 Week Low	\$52.10	T12M Div.	\$1.10	P/E	22.13		
	WoW %	-2.92%	Div. Yield %	1.97%	P/B	3.81		
YTD %	-2.46%							
HOLD								
Jamaica Producers Group (JP)	Current Price	\$21.00	EPS	\$2.17	ROE	15.06%	 ROE 12.38%  P/E 9.70  P/B 1.46	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	\$31.00	BVPS	\$14.38	ROE	12.38%		
	53 Week Low	\$19.10	T12M Div.	\$0.20	P/E	12.32		
	WoW %	-4.31%	Div. Yield %	1.01%	P/B	1.50		
YTD %	-0.01%							
HOLD								




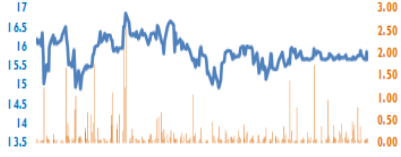



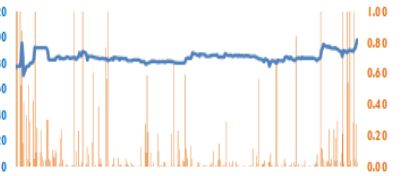




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LOCAL STOCK RECOMMENDATIONS

COMPANY NAME	PRICE MOVEMENTS J\$	STATISTICS	COMPANY VITALS	INDUSTRY VITALS	RATIONALE
September 24, 2021					
Wisynco Ltd (WISYNCO)	Current Price \$15.67 52 Week High \$17.50 53 Week Low \$13.00 WoW % -0.79% YTD % -6.97%	EPS \$0.82 BVPS \$4.01 T12M Div. \$0.30 Div. Yield % 1.85%	 ROE 20.41%  P/E 19.13  P/B 3.90	ROE 18.51% P/E 22.13 P/B 3.81	<p>Wisynco's customers typically include restaurants, supermarkets retail and wholesale 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>
	BUY				
Barita Investments Ltd (BIL)	Current Price \$97.84 52 Week High \$99.84 53 Week Low \$55.05 WoW % 8.71% YTD % 19.48%	EPS \$4.08 BVPS \$27.87 T12M Div. \$2.96 Div. Yield % 3.87%	 ROE 14.62%  P/E 24.01  P/B 3.51	ROE 13.71% P/E 12.77 P/B 1.99	<p>In the most recently concluded 9-month period, up to June 30, 2021, Barita continued to deliver recordbreaking growth and profitability for its shareholders. Undoubtedly, the COVID-19 pandemic has disrupted financial markets locally and globally and is likely to pose significant challenges for businesses going forward. So far, however, BIL has responded well to the pandemic from a social and operational perspective. Over the period, the Group posted net profits, which was 83% above the amount generated over a similar period in the previous year and already ~22% above the amount generated in the entire 12 months in FY 2020. Following its successful APO in September 2020, BIL bolstered its investment banking underwriting capabilities, upgraded its technology - including the implementation of its BOSS platform, seeded alternative investment strategies, widened its footprint and expanded its trading operations. So far, the early indications are that the company has seen further operational improvement and is experiencing accelerated revenue and profit growth.</p>
	BUY				
Grace Kennedy Ltd (GK)	Current Price \$99.01 52 Week High \$105.99 53 Week Low \$56.98 WoW % -1.02% YTD % 57.97%	EPS \$7.09 BVPS \$63.83 T12M Div. \$1.93 Div. Yield % 3.34%	 ROE 11.11%  P/E 13.96  P/B 1.55	ROE 12.38% P/E 12.32 P/B 1.50	<p>Despite the impact of COVID 19 on economic activity in Jamaica and other source markets, Grace Kennedy demonstrated strong resiliency and remained profitable. During 2020, the company made significant changes to ensure that its products and services were delivered to clients across many channels by ensuring its international supply chains remained strong, active and efficient. GK's recent deal with Nestle is one example of a strategy it has implemented to increase distribution as it moves closer to accomplishing its goal of creating a wider wingspan in the global arena. Additionally, GK's strategic vision of expanding its financial services business in the region is aligned with the acquisition of Scotia Insurance Eastern Caribbean. This addition could help to boost the already thriving insurance segment which grew by more than 20% in 2020 alone. GK's results delivered over the 6-month period ending June 2021, which saw profit after tax coming in at 30% above the amount posted in the same period in the previous year is a further reflection of its continued progress towards improving the operating margins and overall efficiency which will serve it well in the future.</p>
	HOLD				

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Mutual Funds



A member of the Group

JN MUTUAL FUNDS

September 16, 2021

JN Mutual Funds	NAV Price	12 Months Growth Rate	YTD Growth Rate	Yield (Estimated Yearly Income)
Global Diversified Income	J\$13.8910	2.65%	0.36%	2.25%
Global Equity	J\$15.6615	12.97%	4.02%	0.00%
Global Fixed Income	J\$13.0789	4.60%	3.33%	4.79%
Global Money Market (US\$)	US\$10.8830	3.56%	2.49%	2.40%
Global Fixed Income (US\$)	US\$11.2932	7.12%	2.54%	3.15%
Local Money Market	J\$11.3771	4.22%	3.14%	4.17%

	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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