

MARKET REVIEW & OUTLOOK

CARIBBEAN BASIN

The Trinidad and Tobago Composite Index declined \downarrow -2.78% on a price return basis for the quarter ended September 30th, 2022.

TRINIDAD & TOBAGO:

Another quarter of negative returns was recorded in Q3 2022 for the All TT Index, which declined 0.99% QTD and 3.34% YTD. Quarter-over-quarter declines in Massy (\downarrow -7.47%), Guardian Holdings (\downarrow -6.63%) and West Indian Tobacco (\downarrow -3.68%) were offset in part by advances in Angostura (\uparrow 8.86%), Scotiabank Trinidad and Tobago (\uparrow 2.02%) and Trinidad & Tobago NGL (\uparrow 4.03%). Trinidad's energy sector saw declining production in Q1 2022, falling 5.1%, while the non-energy sector grew 2.2%. The unemployment rate fell to 5.1% in Q1 compared to 6.5% one year prior. Global inflationary pressures trickled into the local economy, with headline inflation rising to 5.9% in July 2022, up from 3.8% at the start of the year. To help support local recovery, the Central Bank of Trinidad and Tobago (CBTT) maintained the repo rate at 3.5%. On the flip side, higher energy prices globally translated into higher revenues during October 2021 to June 2022. This resulted in a TT\$3.0Bn fiscal surplus compared to a TT\$7.2Bn deficit in the same period one year earlier. At the end of August 2022, gross reserves stood at US\$6.8Bn.

The CBTT expects local economic activity to improve through the rest of the year. Local energy production should benefit from several upstream projects while the non-energy sector is expected to gain from recovering consumer demand and business activity. However, elevated inflation stemming from higher energy and commodity prices internationally and supply chain constraints is likely to persist in the short term.

CARIBBEAN EX TRINIDAD & TOBAGO:

For the quarter ended September 30th, 2022, the Trinidad and Tobago Cross Listed Index declined \downarrow 8.50%, on a price return basis. Declines by NCBFG (\downarrow -18.03%), GKC (\downarrow -4.55%) and JMMBGL (\downarrow -3.04%) were partially tempered by FCI's advance (\uparrow 2.00%).

The JSE Market Index declined \downarrow -5.86% for the quarter ended September 30th 2022 and saw mixed movements among its constituent stocks. Jamaica's economy experienced growth between 5.0%-6.0% in 2Q22. The Bank of Jamaica (BOJ) projects GDP growth in the 2.5% - 4.5% range for FY22/23, driven by the services industry, agricultural sector and the resumption of Jamalco production. Over the past quarter, the BOJ hiked its policy interest rate by 50 bps each in August and September, ending the third quarter at 6.50%. Jamaica's gross reserves of US\$ 4.3Bn reinforce its ability to support the forex market. The BOJ commits to closely monitoring the global and domestic economies and aligning monetary policy with same.

Over the first half of the year, Barbados' economy saw 10.5% growth propelled by a rebounding tourism sector. The labour market continued its recovery, with the unemployment rate falling to 9.0% at the end of the first quarter of 2022, compared to 10.9% at the end of 2021 and 17.2% a year earlier. Inflation increased to 5.8% in May 2022, driven largely by increased food and energy prices. Despite the significant increase in spending on imports due to external inflationary pressures, Barbados' gross reserves remained stable at BD\$3.0Bn. Given the global instability and inflationary environment, coupled with Barbados' investment projects getting underway slower than anticipated, the Central Bank of Barbados has revised its growth forecast downward to 9.0-10.0%, with upside potential should tourism outperform expectations.

INTERNATIONAL

Financial assets continued their downward trend with all asset classes except cash ending the third quarter in the red. US Fixed Income markets were down \downarrow 4.8% in 3Q22, pressured by the Fed's third consecutive rate increase of 75 basis points. Rising interest rates and the subsequent fear of a looming recession contributed to global high yield bonds falling \downarrow 2.7% in Q3. Despite relatively stable credit quality maintained for the year thus far, credit risk may rise in the coming months given persistent inflation, rising rates, slower growth and dampened investor confidence.

Internationally, developed market equities declined \downarrow 9.3% on account of European energy insecurity and global Central Banks' aggressive rate hiking. Emerging market equities also fell \downarrow 11.4%, driven primarily by inflation and concerns surrounding China's restrictive zero-Covid policy. The MSCI World Index (Ticker: NDDUWI) returned \downarrow -6.19% for the quarter ended September 30th, 2022. Aside from Consumer Discretionary, all other sectors comprising the Index performed negatively, with the weakest performing sectors being Telecommunications (\downarrow 12.97%), Real Estate (\downarrow 11.73%) and Utilities (\downarrow 8.41%).

Commodity prices in general pulled back in the third quarter, but remained higher year-to-date. Brent and WTI Crude dropped \downarrow 23.39% and \downarrow 24.84% respectively quarter-over-quarter, while Henry Hub Natural Gas surged \uparrow 22.57%.

All data as at 30 September 2022.

Sources: The Trinidad and Tobago Stock Exchange (TTSE), Bloomberg LP, The Central Bank of Trinidad and Tobago (CBTT), The Bank of Jamaica (BOJ), The Central Bank of Barbados (CBB) and JP Morgan Asset Management Weekly Market Recap.