



WEEKLY MARKET OVERVIEW

INVESTING BASICS

ALIGNING YOUR PORTFOLIO IN THE CURRENT ENVIRONMENT

Whether you are a short term, intermediate or longer-term investor, keeping things in perspective is crucial to navigating the current market environment. We will briefly explore how to position your portfolio in this environment, to mitigate against the adverse impact of rising interest rates, while also hedging against inflation.

The Impact of Inflation and Interest Rates

Supply shocks have created shortages of goods, energy and food that are driving up prices. Inflation in Jamaica reached 11.8% in April 2022. This is a multi-year high, and it will rise further as commodity prices increase. Inflation reduces the profit margins of companies by increasing the costs of their raw material and production inputs. Companies that are unable to pass on these increased costs to their customers will therefore experience a decline in profitability. Inflation also reduces the quantity of goods and services consumers can afford to purchase. This loss in consumer purchasing power can reduce consumer demand for certain goods and services.

To counter the effects of inflation, the Bank of Jamaica, like most central banks worldwide, has been increasing interest rates to reduce the demand for goods and services, without causing too much strain on the economy. As interest rates rise, investors expect a higher rate of return, or yield, on their investment as compensation for the risk of investing their money. This increase in the investor's yield, as a result, lowers the value of investments, such as stocks and bonds. Companies wishing to borrow or raise capital to expand their business will also be required to pay more to attract the capital they need.

What to Invest In?

Stocks

We believe the volatility in the local stock market will continue, due to concerns of rising inflation and the ongoing war in the Ukraine. We see an opportunity for long-term investors to invest a larger portion of their portfolio in equities, as equities tend to outperform over the long term and also provide a strong protection against inflation.

- We favour stocks in companies whose earnings are likely to benefit from the current market environment, and have good cost management.
- Likewise, companies that have a strong position in the market in which they compete, and are able to pass on their higher input costs to customers, are also preferred.
- Companies that are trading at attractive valuations are also a favourable option.

Attractively valued stocks in sectors such as tourism and finance, that are poised for recovery, are also worth considering.

- Infrastructure related stocks and real estate related stocks also tend to perform well in this environment as they are less sensitive to what is going on in the broader economy.

Bonds

During periods of rising interest rates, the returns on bonds can underperform inflation. However, bonds can provide liquidity in a portfolio, which can be particularly beneficial in periods of high market volatility.

- In the bond asset class, we prefer short term bonds with a variable or fixed rate repricing component.
- A mix of both hard currency and local currency bonds in a portfolio also provides protection against inflation.

How FHC Investments Limited can help you

We can help you to take advantage of the various investment opportunities available, including:

Informed decision making: You can benefit from our fundamental research, as we assist you in selecting the right stocks and securities to achieve your investment goals.

Investor education: sign up to receive our investor eZines and look out for our investor webinars where we provide you with market insights to guide your portfolio decisions.

Access to Stock Trading: You can buy and sell stocks on the JSE by opening a stock brokerage account with us.

MARKET UPDATE

Global Bond Market

The following are the current Government of Jamaica bond prices as at May 20, 2022:

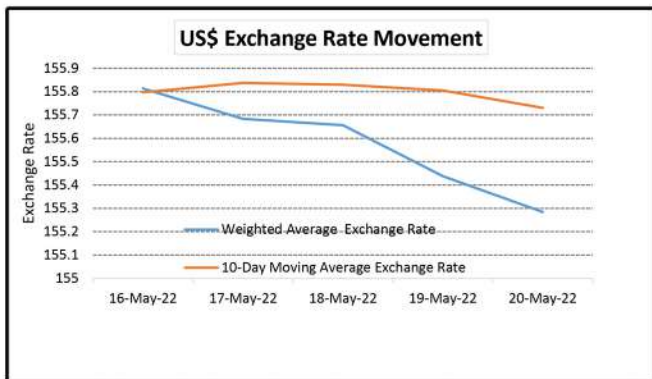
Maturity	Currency	Coupon	Bid	Offer	Offer Yield
2025	US\$	7.625%	105.75	106.75	4.24%
2025	US\$	9.250%	110.00	112.00	5.34%
2028	US\$	6.750%	106.85	107.60	4.99%
2036	US\$	8.500%	123.00	125.00	5.83%
2039	US\$	8.000%	118.80	119.80	6.04%
2045	US\$	7.875%	116.25	117.25	6.43%

*All rates quoted are opening indicative levels in the international capital markets and are subject to change based on market conditions.

Foreign Exchange Market

The Jamaican dollar appreciated by \$0.28 relative to the US dollar week-over-week, moving from a selling rate of \$155.57 on Friday, May 13th to \$155.28 on Friday, May 20th. The closing BOJ weighted average selling rates are as follows:

Exchange Rate	Close 05/13/2022	Close 05/20/2022	Weekly Change	YTD Change
J\$/US\$	155.57	155.28	0.18%	-0.13%
J\$/CDN\$	120.34	121.47	-0.94%	1.05%
J\$/GBP	189.61	193.54	-2.07%	7.90%



Money Market

The following are the average Treasury bill rates:

Tenure	Last Auction	Previous Yield	Current Yield	Net Change
90 day	13-May-22	7.96%	8.12%	0.17%
180 day	13-May-22	8.46%	8.25%	-0.21%
270 day	13-May-22	4.47%	8.50%	4.03%

Jamaica Stock Market

This week's Market activity resulted from trading in 119 stocks, of which 45 advanced, 68 declined and 6 traded firm. Market volume amounted to 125,303,828,907.76 units valued at over J\$1,303,828,907.76. The following reflect the movement of the JSE indices.

Indices	Closing levels 05/20/2022	Weekly Change %	YTD Change %
JSE Combined Index	405,598.96	-2.59%	1.11%
JSE Market Index	391,898.55	-2.66%	-1.07%
JSE All Jamaican Composite	449,770.77	-2.58%	2.61%
JSE Select Index	10,232.03	-3.45%	3.53%
JSE Junior Market	4,357.81	-1.94%	27.11%

FHCIL'S STOCK PICKS

Stock	Last Price
PanJam	\$ 66.41
Grace Kennedy	\$ 109.62
Wisynco	\$ 20.47
Proven (JMD)	\$ 38.33
Jamaica Teas	\$ 3.38

This information should not be relied upon by the reader as research or investment advice. If you need advice in building a diversified stock portfolio, FHC Investments Limited can guide you in achieving your financial goals. Feel free to give us a call today.



Meet
Edmund Sheriff

Investment & Pension Advisor

Whether your goal is to build wealth or save for retirement, we are committed to helping you achieve it!

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