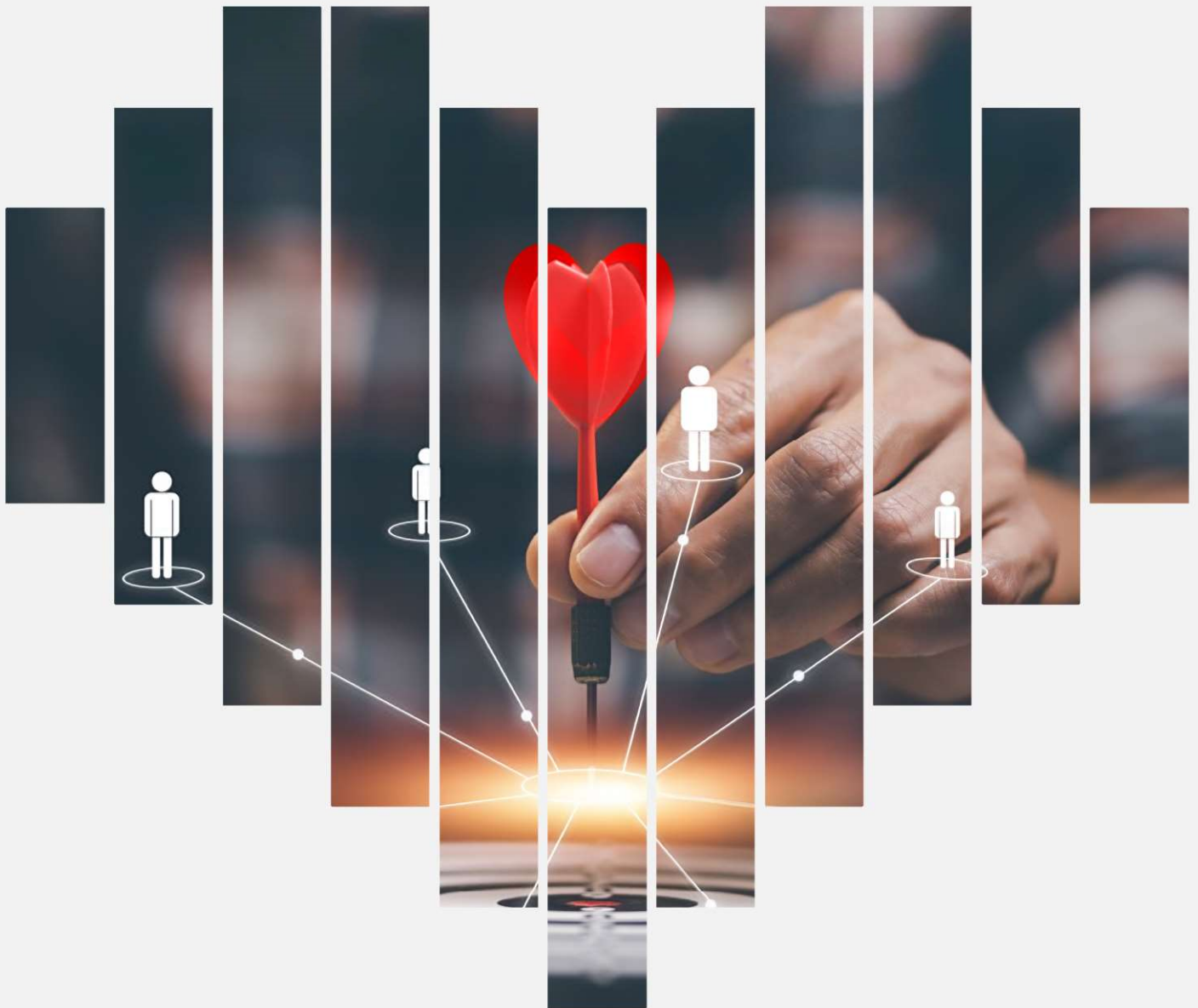




PORTFOLIO STRATEGIES

Global Review and Outlook

Global Growth and Inflation Outlook

The latest IMF's World Economic Outlook (WEO) projects global GDP growth of 3.0% in 2026 and 3.4% in 2027, representing a moderation from the estimated 3.5% growth recorded during 2024–2025. The softer outlook largely reflects the economic impact of the ongoing Middle East conflict, although robust investment in artificial intelligence (AI) infrastructure continues to provide a meaningful offset to weaker global activity.

Looking ahead, key risks to global growth remain tilted to the downside. Escalating geopolitical tensions in the Middle East could place renewed pressure on energy markets, while heightened trade frictions and a potential correction in AI-related capital expenditures could further dampen economic momentum.

On the inflation front, the IMF expects global headline inflation to rise from 4.1% in 2025 to 4.7% in 2026, before moderating to 3.9% in 2027. This forecast underscores the persistent inflationary effects of geopolitical uncertainty and commodity price volatility, even as broader global demand conditions gradually normalize.

U.S. Inflation Review

U.S. inflation showed signs of moderation in June 2026, with headline CPI increasing 3.5% year-over-year, down from 4.2% in May.

Core inflation also cooled, easing to 2.6% from 2.9% year-over-year in June and May respectively.

On a monthly basis, CPI declined by 0.4% in June, reversing the 0.5% increase recorded in May. The primary driver of this decline was a sharp fall in energy prices, with the energy index decreasing 5.7% following a 3.9% increase in the prior month. Conversely, shelter and food costs continued to rise. Core inflation remained unchanged during the month, suggesting that underlying price pressures have become more stable despite continued volatility in energy markets.

U.S. Monetary Policy Review and Outlook

The Federal Open Market Committee (FOMC) implemented 75 basis points of easing, as concerns about labour market conditions intensified during 2025, through three consecutive 25-basis-point reductions at its September, October, and December meetings.

These actions lowered the policy rate to 3.50%–3.75%, reflecting a more accommodative stance amid growing uncertainty surrounding economic activity. Despite these reductions, the Federal Reserve has maintained rates at that level throughout 2026, citing ongoing inflation

Global Review and Outlook

concerns and a data-dependent approach to future policy decisions.

Recent FOMC communications indicate that economic activity continues to expand at a solid pace. While employment growth has moderated and unemployment has stabilized, inflation remains above the Federal Reserve's long-term target, reinforcing policymakers' cautious posture.

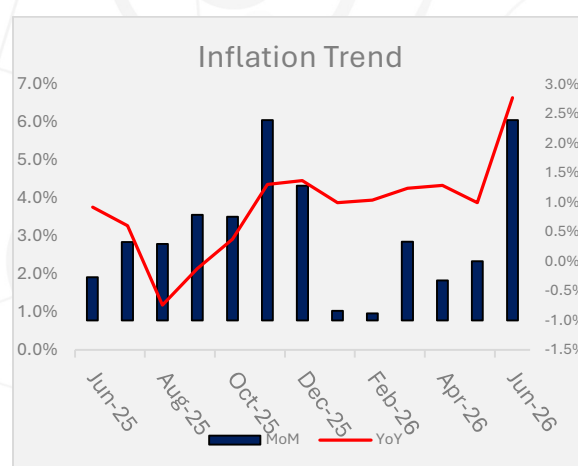
Market expectations currently suggest that no rate cut is likely at the Federal Reserve's July 29, 2026 meeting. Furthermore, expectations for policy easing later in the year have diminished significantly. Market pricing indicates that the probability of rates remaining unchanged or moving higher remains materially greater than the likelihood of further cuts. Consequently, the balance of risks for U.S. monetary policy remains skewed toward higher-for-longer interest rates, with the near-term outlook increasingly characterized by upside rate risk rather than additional easing.

Jamaica Inflation Review

Jamaica's Consumer Price Index increased 0.8% in June 2026, driven primarily by higher transportation costs. The Transport division rose 4.3%, largely reflecting an 8.0% increase in route taxi and hackney carriage fares. Additional upward pressure came from the Food and Non-Alcoholic Beverages division, which increased 0.7%, and the Housing,

Water, Electricity, Gas and Other Fuels division, which rose 0.5%.

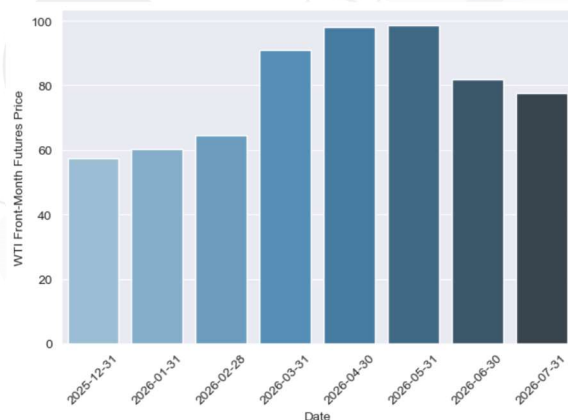
As a result, Jamaica's point-to-point inflation rate accelerated to 6.7% in June 2026, compared with 5.5% in May, placing inflation above the Bank of Jamaica's target range of 4%–6%.



The Bank of Jamaica's Monetary Policy Committee (MPC) has highlighted elevated inflation risks, although it expects these pressures to moderate over time. Both headline and core inflation are anticipated to temporarily exceed the central bank's target range in the near term. Against this backdrop, the MPC's decision to maintain the policy rate appears consistent with efforts to prevent recent increases in commodity and energy prices from generating broader second-round inflation effects.

Risks to Future Rate Cuts

The expectation at the end of 2025 was that central banks, particularly the U.S. Federal Reserve, would continue gradually lowering interest rates during 2026. However, two major developments have challenged that outlook: the escalation of conflict in the Middle East and persistent global trade tensions.

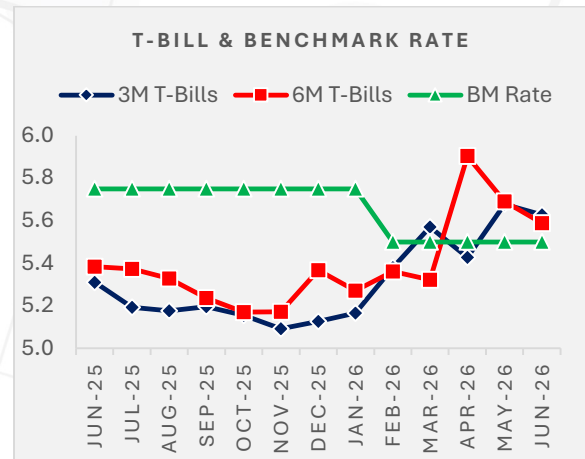


The inflationary impact of higher energy and commodity prices has been particularly significant.

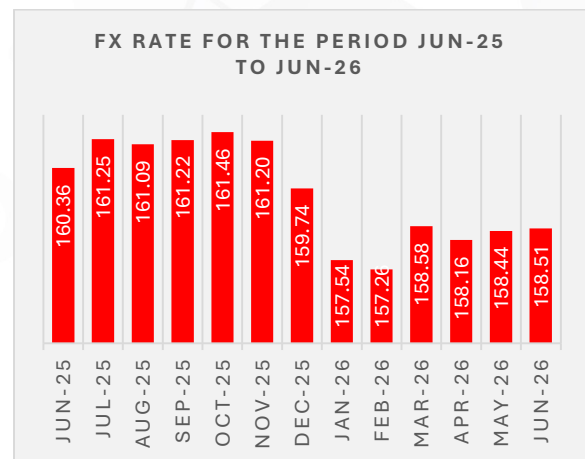
The BOJ has already indicated that inflation is likely to remain above target in the near term, while fiscal expansion and reconstruction-related spending could further support domestic demand and inflationary pressures.

Consequently, we view the BOJ's recent decision to leave rates unchanged as a hawkish pause rather than a neutral policy stance. While the central bank appears reluctant to tighten policy pre-emptively due to fragile growth conditions, its forward guidance suggests that additional tightening

remains a possibility should inflationary pressures become more entrenched.



The foreign exchange market has remained relatively stable over the past year, with the J\$ trading within a contained range against the US\$. Current expectations suggest that this stability is likely to persist in the near term, supported by favourable market conditions and adequate foreign currency liquidity.



Overall, we maintain an upward bias for Jamaican policy rates over the next 12 months.

Fixed Income & Equity Strategies

Fixed Income Strategy

Given expectations that interest rates are likely to remain elevated—or potentially rise further—during 2026, investors should maintain a disciplined approach to fixed-income portfolio construction.

A portfolio with a weighted average maturity of approximately 5–7 years offers an attractive balance between yield generation and interest-rate risk management. Additionally, maintaining exposure to securities with maturities of less than two years can help reduce portfolio sensitivity to unexpected rate increases. A laddered maturity structure remains one of the most effective methods of managing reinvestment risk and reducing performance volatility.

Within corporate credit, selectivity remains essential. Investors should favor issuers with strong balance sheets, low-to-moderate leverage, and robust covenant protection. Preference should also be given to secured instruments, particularly those supported by high-quality collateral and conservative loan-to-value ratios.

Above all, diversification across sectors, geographies, and asset classes remains critical to preserving portfolio resilience during periods of elevated uncertainty.

Equity Income Strategy

We maintain a cautiously optimistic outlook for equity markets. A significant source of support stems from Scotia Group Jamaica's proposed privatization, which could inject approximately J\$54 billion into the market. A portion of these proceeds is expected to be redeployed into domestic financial assets, particularly equities, as institutional investors seek suitable reinvestment opportunities.

At the same time, the recent easing in commodity and energy prices has improved the outlook for corporate earnings and inflation expectations. Should energy prices remain contained, margins across several sectors could recover during the second half of the year, while easing inflationary pressure may allow central banks to maintain current policy rates.

However, investors should remain mindful that energy prices continue to face significant upside risks, given the uncertain trajectory of geopolitical developments in the Middle East.

Against this backdrop, we remain constructive on the financial, consumer staples, and construction sectors, while maintaining a more cautious view toward industries dependent on discretionary consumer spending, including segments of

the tourism sector.

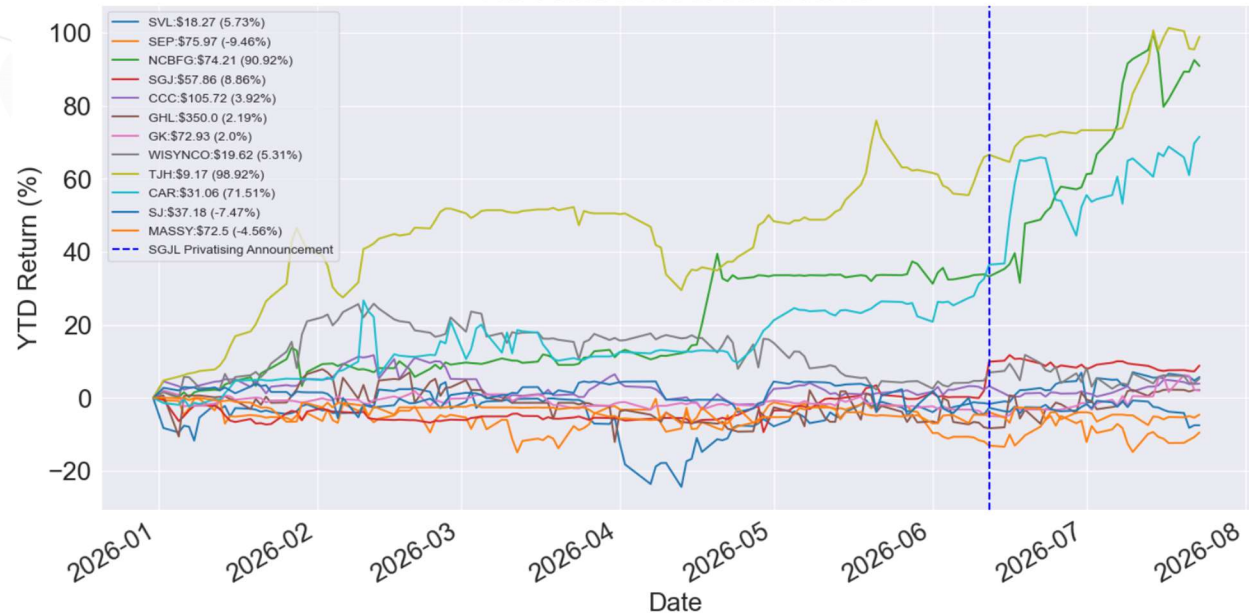
When evaluating investment opportunities, our preferred characteristics include:

- High dividend yields
- Consistent dividend growth
- Low leverage
- Resilient earnings profiles
- Attractive valuations

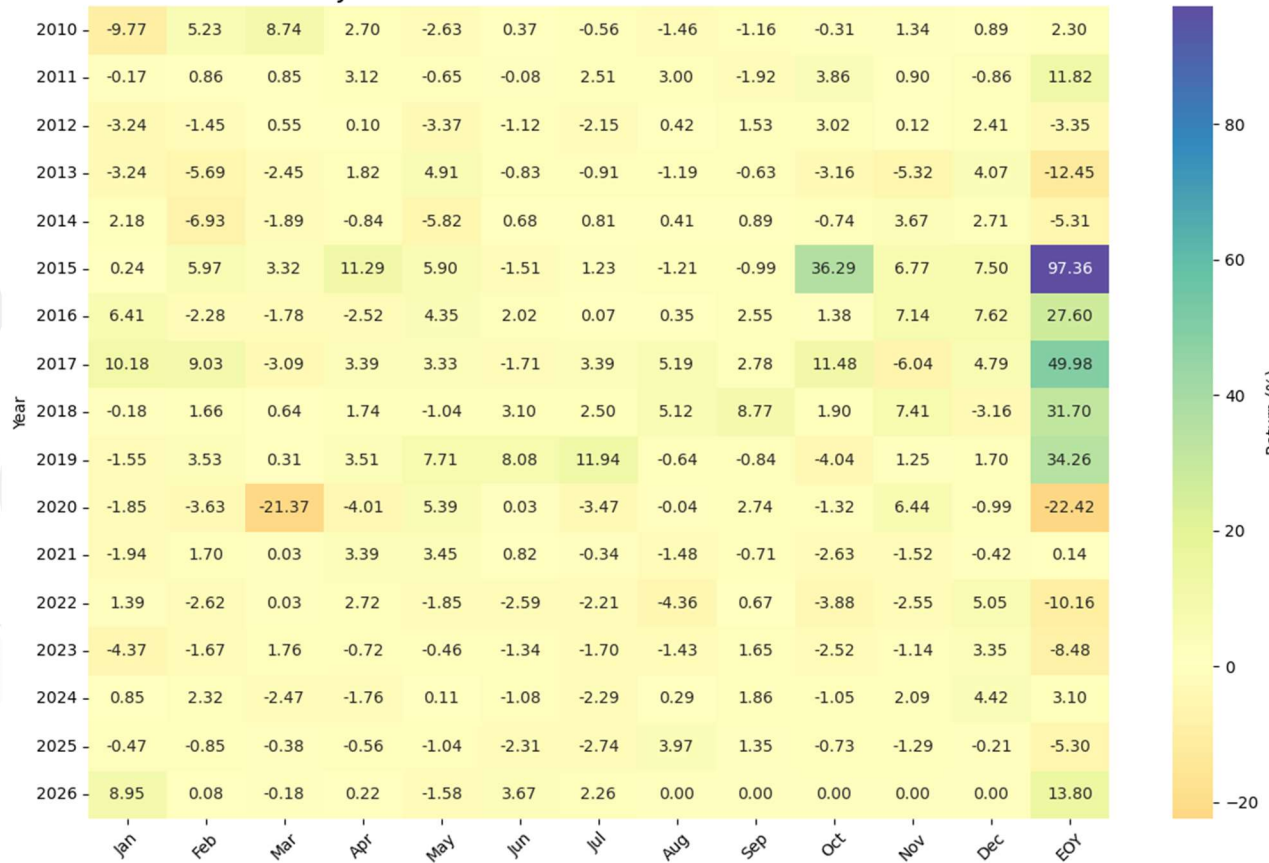
- Geographically diversified revenue streams

Companies with meaningful international exposure are likely to demonstrate greater earnings resilience than businesses heavily dependent on domestic economic conditions.

YTD Performance of Select Stocks



JSE Main Market MoM and Annual Return





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