TRINIDAD & TOBAGO

For the Quarter: April to June 2024

Economic Review

According to the Central Statistical Office (CSO), the domestic economy grew by 2.5% year-on-year in the first half of 2023 led by activity in the non-energy sector which reported growth of 4.2% in the same period. Concerning price levels, headline inflation rose to 0.9% year-on-year in May 2024 from 0.5% in the previous month primarily due to an uptick in food inflation. Core inflation, however, remained unchanged at 0.3%. In relation to the labour market, data from the CSO also showed that the unemployment rate declined to an average of 4.0% in 2023, down from 4.9% in 2022.

Meanwhile, as far as international buffers go, net official reserves stood at US$5.4 billion or about 6.7 months of import cover at the end of May 2024, down from US$6.3 billion or 7.8 months of import cover for December 2023. The country's external position is further cushioned by the Heritage and Stabilization Fund (HSF) with a reported balance of US$5.6 billion as at December 2023. On the monetary front, the Monetary Policy Committee (MPC) of the Central Bank decided to maintain the repo rate at 3.50% at its June meeting.

Capital Market Review

In the first half of 2024, all major local stock indices fell with the TT Composite, the All T&T and the Cross-Listed indices registering declines of 7.1%, 6.0% and 10.9% respectively. In terms of individual stocks, Prestige Holdings Ltd was the top performer after its stock price rose by 38.1% in the first six months of the year. Conversely, TTNGL was the major laggard over the same period with a -36.3% price return. On the fixed income side, there has been a general upward shift of the domestic yield curve in the first half of 2024. More pronounced increases were observed from the 3-month to 9-year tenors while more modest increases were observed from the 17-year to 22-year tenors.

Outlook

Local energy sector output is expected to remain subdued amid continued gas supply shortages and constrained oil and gas production which is not expected to improve over the short-term on account of the country's ageing energy infrastructure, as well as the fact that first gas is not expected from the Dragon gas field until 2027. Further, lingering geopolitical risks associated with heightened tensions in the Middle East as a result of the Israel-Hamas conflict, and the ongoing Russia-Ukraine war pose potential threats as they could potentially adversely impact energy and agricultural commodity prices. Domestic stock market performance is expected to remain muted against this backdrop. Domestic yields are expected to continue to rise in the short-term, until around mid-2025 by which time, the feed-through effect of the widely anticipated 2024 Fed rate cut should be manifested in the local economy.

THE UNITED STATES OF AMERICA

For the Quarter: April to June 2024

Economic Review

The U.S. economy grew at a 1.4% annualized rate in the first quarter of 2024 according to the Bureau of Economic Analysis, down from the advance estimate of 1.6% and notably slower than the 3.4% pace in the final three months of 2023. Details of the GDP report showed that consumer spending growth slowed to a 2.0% annualized rate which reflected a larger-than earlier-reported drop in household spending on durable goods like motor vehicles.

With respect to inflation, the Consumer Price Index (CPI) marginally fell to 3.3% (y-o-y) in May largely due to a drop in energy costs. Meanwhile the labour market continued to show resilience with the unemployment rate coming in at the relatively low 4.0% in May. In terms of monetary policy, the U.S. Federal Reserve (Fed) kept the federal funds rate unchanged at the target range of 5.25%-5.50% at the conclusion of its June 2024 meeting.

Capital Market Review

In the second quarter of 2024, U.S. equity markets recorded solid gains with the S&P 500 rising by **3.9%** pushing the year-to-date return as at the end of June to **14.5%.** Enthusiasm surrounding artificial intelligence and big tech, the expectation that the U.S. will avoid a recession despite relatively high interest rates and the signalling by the Fed that rate cuts are on the horizon boosted market sentiment.

Among U.S. sectors, Information Technology, Communication Services, and Utilities were the best performing sectors in the second quarter, with returns of 13.6%, 9.1%, and 3.9%, respectively. Conversely, Materials, Industrials and Energy were the worst performers, with returns of -4.9%, -3.3%, and -3.2%, respectively. The 10-year U.S. Treasury yield closed the second quarter at 4.40%, 52 basis points higher when compared to the level at the end of 2023.

Outlook

According to the IMF, in its latest economic outlook, the U.S. economy is expected to grow by **2.7%** in 2024 before moderating to **1.9%** in 2025. Meanwhile, the unemployment rate is forecasted to end the year at 4.0%, the same as current levels (May 2024). According to the Fed's latest dot plot, only one 25 bps cut in is now projected which would leave the fed funds rate in the target range of 5.00%-5.25%. In November, Presidential elections will be held and is expected to add volatility to financial markets based on historical trends.