UNIT TRUST CORPORATION

Economic and Capital Market Wrap

TRINIDAD & TOBAGO

For the Quarter: April to June 2026

Economic Review

According to the International Monetary Fund (IMF)'s 2026 Article IV Consultation, Trinidad and Tobago's economy is estimated to have grown by 0.8% in 2025. Expansion was driven primarily by the non-energy sector, which grew by 1.2%. In contrast, the energy sector contracted by 0.5%, reflecting maturing hydrocarbon fields and softer export conditions. Despite the positive, albeit limited growth, fiscal and external vulnerabilities continued to weigh on the broader macroeconomic outlook. Regarding price levels, inflation remained subdued throughout the first half of 2026, with headline inflation easing to 0.3% year-on-year in May 2026, while both food inflation (0.8%) and core inflation (0.2%) remained well contained despite volatility in global commodity prices.

In its latest Monetary Policy Announcement (June 2026), the Central Bank of Trinidad and Tobago's Monetary Policy Committee (MPC) noted that economic activity moderated in the first quarter of 2026, reflecting constraints in natural gas availability, weaker business confidence and softer investment in the non-energy sector amid heightened uncertainty. Private sector credit growth slowed to 4.0% year-on-year in April from 5.3% in December 2025, driven primarily by weaker business lending, although liquidity conditions remained ample. With respect to international buffers, net official reserves decreased by 2.2% to US$5.2 billion, equivalent to 6.0 months of import cover, by the end of May 2026, down from US$5.4 billion or 6.2 months of import cover at the end of March 2026.

Capital Market Review

During the second quarter of 2026, all local indices advanced with the Trinidad & Tobago Composite, the All T&T and the Cross-Listed indices up 5.9%, 6.7% and 3.5% respectively. Seven of the eight TTSE sectors posted quarterly gains led by Energy sector, which increased by 34.7% over the quarter. Trading was the only sector that declined over the quarter, down 4.9%. At the individual stock level, One Caribbean Media Ltd led the market with a quarterly gain of 54.6%; while the biggest laggard was L.J. Williams Ltd, which declined by 20.0%.

Between March and June 2026, the domestic yield curve shifted higher overall, with the largest increases concentrated in the medium- to long-term maturities. Short-term yields were mixed, while yields from the 8–30-year tenors rose by 20–38 bps, reflecting broad-based upward pressure across the longer end of the curve.

Outlook

Trinidad and Tobago's near-term economic outlook remains subdued, reflecting persistent structural challenges in the energy sector despite continued resilience in non-energy activity. The IMF projects real GDP growth of 0.8% in 2026, with medium-term prospects expected to strengthen as major energy projects, particularly Manatee, move closer to production. The Government's Mid-Year Review also cited firmer energy prices and increased upstream investment as supportive factors. Fiscal conditions have improved modestly, with the FY2026 fiscal deficit projected at TT$7.0 billion (4.0% of GDP), down from TT$10.1 billion (5.8% of GDP) in FY2025, reflecting stronger revenue performance and higher energy prices. The Heritage and Stabilisation Fund also increased to US$6.6 billion in June 2026, reinforcing the country's fiscal buffers.

Key downside risks include delays to major energy projects, declining production from mature oil and gas fields, persistent foreign exchange shortages, and weaker global economic growth. Conversely, sustained energy prices, continued fiscal reforms, stronger investor confidence, and timely project execution could support medium-term growth. Monetary policy is expected to remain accommodative, with the Central Bank maintaining the repo rate at 3.50% since March 2020 amid low inflation and subdued private sector credit growth. However, policymakers remain cautious as geopolitical tensions and external uncertainties continue to pose risks, with future policy decisions expected to remain data dependent.

Performance is subject to variations and is likely to change over time. Past performance should not be treated as an indicator of future performance. Important information concerning the investment goals, risks, charges and expenses is contained in the prospectus. Investors should carefully consider these before investing. Obtain a prospectus from our website (www.ttutc.com) or at any of our UTC Investment Centres and read it carefully before investing.

THE UNITED STATES OF AMERICA

For the Quarter: April to June 2026

Economic Review

The U.S. economy remained resilient in early 2026 despite persistent inflationary pressures and heightened geopolitical uncertainty. According to the U.S. Bureau of Economic Analysis (BEA), real GDP grew at an annualized rate of 2.1% in Q1 2026, accelerating from 0.5% in Q4 2025, supported by stronger business investment, exports, government spending, and consumer activity.

Inflation, however, remained elevated. The Personal Consumption Expenditures (PCE) price index, the Federal Reserve's preferred inflation gauge, rose 4.1% year-on-year in May 2026, while core PCE inflation increased to 3.4%, remaining above the Fed's 2% target. In response, the Federal Reserve maintained the federal funds target range at 3.50%–3.75%, citing persistent inflation, a resilient labour market, and ongoing uncertainty from geopolitical tensions and energy price pressures.

Labour market conditions continued to moderate but remained broadly stable. The unemployment rate edged down to 4.2% in June 2026, while non-farm payrolls increased by 57,000, indicating slower hiring momentum. Nevertheless, low layoffs and continued employment gains suggest that labour market conditions remain relatively resilient despite signs of gradual cooling.

Capital Market Review

U.S. stock markets recorded gains during the second quarter of 2026, with the S&P 500, Nasdaq, and DJIA rising by 14.9%, 21.4% and 12.9% respectively. This performance was largely driven by easing geopolitical risks stemming from the Iran conflict, strong corporate earnings and a rebound in sentiment in Information Technology and AI optimism. From a sector perspective, gains were recorded across eight of the eleven sectors in the S&P over the second quarter, led by Information Technology (+31.6%), Industrials (+14.5%), and Consumer Discretionary (+9.1%). Conversely, Energy (-14.0%), Utilities (-1.2%), and Consumer Staples (-0.3%) were the only sectors experiencing losses.

In fixed income markets, Treasury yields moved higher in Q2 2026, reflecting persistent inflation concerns, reduced expectations for near-term monetary easing, and increased term premium amid fiscal and geopolitical uncertainty. The 10-year Treasury yield increased from 4.32% on March 31, 2026, to 4.47% by June 30, 2026, representing a rise of approximately 15 basis points. The upward movement reflected a reassessment of the pace of future Fed rate cuts as inflation remained above target, alongside concerns over elevated government debt issuance and ongoing global risks.

Outlook

According to the U.S. Federal Reserve's June 2026 Summary of Economic Projections, the economy is expected to expand by 2.2% in 2026. PCE Inflation is projected to end the year at 3.6%, above the Federal Reserve's 2% target, while the labour market is expected to remain resilient, with the unemployment rate projected at 4.3%. The Federal Reserve is expected to maintain a restrictive monetary policy stance, with its projections indicating one 25-basis-point policy rate increase in 2026, reflecting the need for continued vigilance against persistent inflationary pressures. The Federal Reserve has reiterated that future policy decisions will remain data dependent. Although the recent U.S.–Iran ceasefire has eased immediate geopolitical concerns, the risk of renewed conflict is high and continues to pose downside risks to the global economic outlook.

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