UNIT TRUST CORPORATION

Economic and Capital Market Wrap

TRINIDAD & TOBAGO

For the Quarter: July to September 2026

Economic Review

S&P Global Ratings affirmed Trinidad and Tobago's BBB− sovereign credit rating in July 2026 but maintained a Negative outlook, reflecting subdued economic growth, gradually eroding fiscal and external buffers, declining foreign exchange reserves, and limited economic diversification. While increased domestic energy production is expected to support a recovery in economic activity from 2027, the anticipated improvement is unlikely to materially strengthen economic resilience without broader structural reforms and reduced dependence on the energy sector.

According to the Central Bank of Trinidad and Tobago's September 2026 Monetary Policy Announcement, domestic inflation remained subdued, with headline inflation at 0.6% in July, food inflation at 1.7%, and core inflation at 0.2%. Meanwhile, private-sector credit growth slowed to 3.4% year-on-year in July, while labour-market conditions weakened, with unemployment rising to 5.4% in the first quarter of 2026, up from 4.9% in the corresponding quarter of 2025. Against this backdrop, the Monetary Policy Committee maintained the repo rate at 3.5%. With respect to international buffers, net official reserves decreased by 7.9% to US$5.3 billion, equivalent to 6.1 months of import cover, by the end of August 2026, down from US$5.7 billion or 6.7 months of import cover at the end of July 2026.

Capital Market Review

During the third quarter of 2026, all local indices recorded positive returns, with the Trinidad and Tobago Composite Index gaining 3.1%, the All T&T Index increasing by 1.1%, and the Cross-Listed Index advancing by 9.1%. Six of the eight TTSE sectors posted quarterly gains, led by the Manufacturing I, Property, and Banking sectors, which rose by 10.9%, 7.1%, and 5.5%, respectively. In contrast, the Trading and Energy sectors declined by 7.5% and 6.7%, respectively. At the individual stock level, West Indian Tobacco Company Ltd led the market with a quarterly gain of 38.3%; while the biggest laggard was CinemaOne Ltd, which declined by 27.8%.

Between June and September 2026, the domestic yield curve recorded modest increases across most maturities. Short-term yields rose from 2.94% to 3.05% at the 3-month tenor and from 2.74% to 3.06% at the 6-month tenor, while the 1-year yield increased marginally from 4.83% to 4.87%. Yields across maturities from 3 to 30 years generally increased, with the 30-year yield rising from 7.92% to 8.16%.

Outlook

Trinidad and Tobago's macroeconomic outlook remains subdued, reflecting constrained energy production, limited economic diversification, and gradually eroding fiscal and external buffers. Although higher energy prices provide near-term support, the anticipated increase in domestic production from 2027 is expected to provide only a partial boost to economic resilience. The potential development of Venezuelan gas resources represents an additional upside opportunity. Fiscal sustainability and external resilience remain key areas of concern. S&P Global Ratings has indicated that a downgrade could follow if progress in strengthening public finances, supporting long-term growth, and preserving the country's external position proves insufficient. Persistent foreign exchange shortages, continued pressure on fiscal buffers, and the economy's heavy reliance on hydrocarbon revenues could further constrain policy flexibility. Conversely, stronger-than-expected energy prices, the successful execution of new production projects, and tangible progress in energy cooperation with Venezuela could improve medium-term growth prospects and support government revenues. Nevertheless, a sustained improvement in the economic outlook will depend on fiscal consolidation, economic diversification, and the rebuilding of fiscal and external buffers.

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.

UNIT TRUST CORPORATION

Economic and Capital Market Wrap

THE UNITED STATES OF AMERICA

For the Quarter: July to September 2026

Economic Review

According to the U.S. Bureau of Economic Analysis (BEA), the U.S. economy grew at an annualised rate of 2.2% in the second quarter of 2026, following revised growth of 2.5% in the first quarter, supported by consumer spending and private business investments. Initial indicators suggest continued economic resilience in the third quarter, although inflationary pressures and softer labour-market conditions caused some concern.
In August, headline PCE inflation reached 3.4% year-on-year, while core PCE inflation stood at 3.0%, above the Federal Reserve's 2% target. In response to persistent inflationary pressures, the Federal Reserve raised its policy rate by 25 basis points to 3.75%–4.00% in September. Meanwhile, the labour market showed signs of softening, although conditions remained relatively resilient. The unemployment rate edged up to 4.2%, while nonfarm payrolls increased by just 29,000, which was below expectations. Downward revisions to prior months' figures further indicated a loss of hiring momentum

Capital Market Review

U.S. equity markets recorded mixed performance in the third quarter, with the S&P 500 and Nasdaq Composite gaining approximately 2.0% and 2.5%, respectively while the Dow declined by 2.7%. Information Technology and Energy benefited from AI-related investment and higher energy prices, while other sectors faced pressure from elevated borrowing costs and uncertainty. Overall, market performance reflected continued optimism around AI and corporate earnings, tempered by inflationary pressures and geopolitical risks. From a sector perspective, gains were recorded across four of the eleven sectors in the S&P over the third quarter, led by Energy (+16.5%), Information Technology (+7.1%), Healthcare (+6.0%), and Communication Services (+3.5%). Conversely, Utilities (-13.0%), Industrials (-9.9%), and Real Estate (-6.3%) were the leading laggards.

In fixed income markets, Treasury yields moved higher in Q3 2026, reflecting persistent inflation concerns, expectations for near-term monetary tightening and increased term premium amid fiscal and geopolitical uncertainty. The 10-year Treasury yield increased from 4.47% on June 30, 2026, to 5.29% by September 30, 2026, representing a rise of approximately 82 basis points. The upward movement reflected the expectation of future Fed rate hikes 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 September 2026 Summary of Economic Projections, the economy is expected to expand by 2.3% in 2026. PCE Inflation is projected to end the year at 3.7%, above the Federal Reserve's 2% target, while the labour market is expected to remain resilient, with the unemployment rate projected at 4.1%. The Federal Reserve is expected to maintain a restrictive monetary policy stance, with its projections indicating one further 25-basis-point policy rate increase in 2026, reflecting the need for continued vigilance against persistent inflationary pressures. Geopolitical tensions, particularly the U.S.–Iran conflict and disruptions to shipping through the Strait of Hormuz, pose additional risks to energy prices and inflation, while the November midterm elections could affect corporate investment decisions and future fiscal, trade and regulatory policy.

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