

**September 2020**

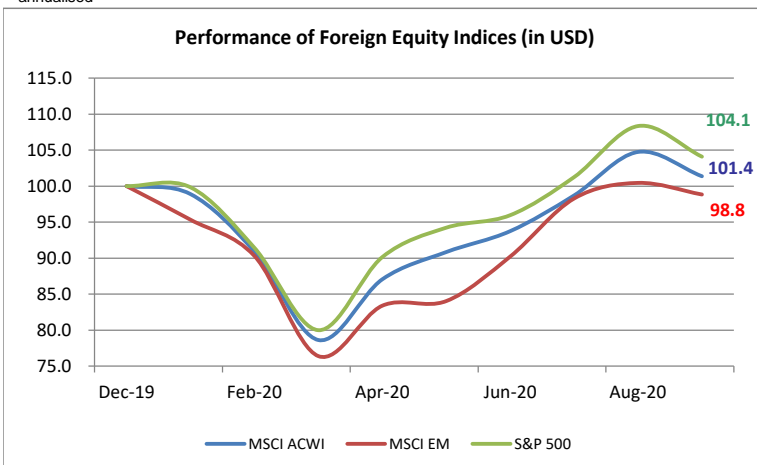
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Note: The charts below show the year-to-date performance of local and foreign equity indices on a time-series basis (i.e. 31 Dec 19 to 30 Sep 20).

**Foreign Equity Indices**

| 30/09/2020                   | Current Value (USD) | % Change in |                  |                |                |                |
|------------------------------|---------------------|-------------|------------------|----------------|----------------|----------------|
|                              |                     | Last Month  | Year-to-date YTD | Last 12 Months | Last 3 Years * | Last 5 Years * |
| MSCI EM (Emerging markets)   | 521.43              | -1.6%       | -1.2%            | 10.5%          | 2.4%           | 9.0%           |
| MSCI The World Index         | 7,027.34            | -3.4%       | 1.7%             | 10.4%          | 7.7%           | 10.5%          |
| MSCI All Country World Index | 286.18              | -3.2%       | 1.4%             | 10.4%          | 7.1%           | 10.3%          |
| S&P 500                      | 3,363.00            | -3.9%       | 4.1%             | 13.0%          | 10.1%          | 11.9%          |
| S&P 500 ESG Index            | 362.67              | -4.3%       | 7.8%             | 18.1%          | 13.8%          | 15.0%          |
| EuroStoxx 50                 | 3,193.61            | -2.4%       | -14.7%           | -10.5%         | -3.9%          | 0.6%           |
| FTSE 100                     | 5,866.10            | -1.6%       | -22.2%           | -20.8%         | -7.3%          | -0.7%          |
| MSCI EFM Markets Africa      | 908.67              | -0.8%       | -20.7%           | -10.7%         | -7.2%          | -1.4%          |

\* annualised



The pandemic continued to dominate investor sentiment in September. Moreover, uncertainties surrounding the US presidential race kept global stock markets under pressure during the month under review. The **MSCI All Country World Index** and **MSCI World Index** fell by 3.2% and 3.4% during the month.

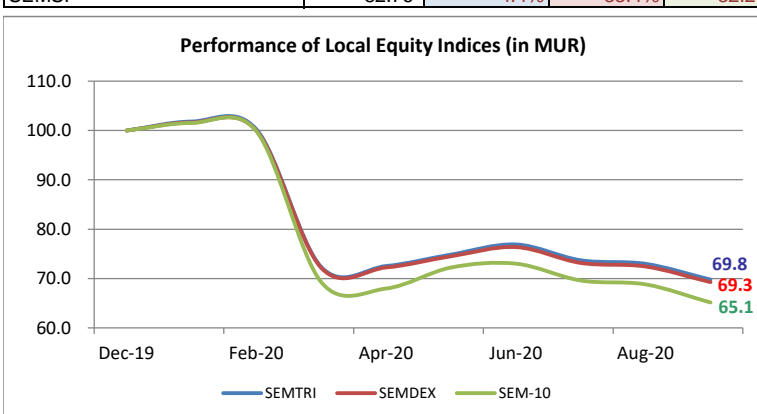
The chaotic face-off between Republican Donald Trump and Democratic rival, Joe Biden did not help alleviate investors' concern over the US elections or its outcome. The **S&P 500** was down 3.9% in September. After a strong rally in the past two months, tech stocks suffered a massive selloff in September. **The Nasdaq 100 fell by 5.7%**.

US stock markets further sank on 02 October as President Donald Trump and the First Lady tested positive for Covid-19. The diagnosis added more uncertainties to the presidential race as the Volatility Index (VIX) soared by 12% in a day. (source: *Business Insider Africa*)

The mood in Europe followed a similar trend as the US markets. While, Italy extended its state of emergency until January 2021, UK also tightened restrictions in response to a recent spike in coronavirus cases. Worries about a second wave of Covid-19 infections further hampering Europe's economic recovery weighed heavily on stock markets. The **EuroStoxx 50 dropped by 2.4%** in September. Furthermore, doubts about a Brexit trade deal also came to the fore. The **FTSE 100 Index consequently lost 1.6%**.

**Local Equity Indices**

| 30/09/2020 | Current Value (MUR) | % Change in |                  |                |                |                |
|------------|---------------------|-------------|------------------|----------------|----------------|----------------|
|            |                     | Last Month  | Year-to-date YTD | Last 12 Months | Last 3 Years * | Last 5 Years * |
| SEMDEX     | 1,507.77            | -4.4%       | -30.7%           | -29.1%         | -12.2%         | -4.6%          |
| SEM-10     | 279.99              | -5.3%       | -34.9%           | -33.6%         | -13.5%         | -5.2%          |
| DEMEX      | 197.86              | -1.9%       | -15.7%           | -16.4%         | -4.0%          | -0.9%          |
| SEMTRI     | 5,797.92            | -4.4%       | -30.2%           | -27.6%         | -9.9%          | -1.9%          |
| DEMTRI     | 288.90              | -1.9%       | -14.9%           | -14.6%         | -1.1%          | 2.1%           |
| ALEX 20    | 743.73              | -4.5%       | -33.5%           | -32.8%         | -13.6%         | -4.5%          |
| ALCAPEX 12 | 1,047.60            | -6.0%       | -32.9%           | -32.8%         | -13.2%         | -4.2%          |
| SEMSI      | 82.76               | -4.4%       | -33.4%           | -32.2%         | -12.4%         | N/A            |



In September, local equity markets remained subdued. The **SEMDEX** and **SEMTRI** fell by 4.4% each, during the month. The **SEM-10** dropped by 5.3% over the same period. It should be added that the SEM-10 has lost nearly 35% over the past 9 months.

**Repo Rate unchanged:** After the Monetary Policy Committee unanimously voted for a rate cut to 1.85% in April, repo rate has since remained unchanged.

**Rebalancing of the SEM-10:** The Index Management Committee of the Stock Exchange of Mauritius selected the constituents of the SEM-10 Index for the fourth quarter starting 07 October 2020. We note that Phoenix Beverages Ltd and Terra Mauricia Ltd replaced Medine Ltd and Grit Real Estate Income Group Ltd in the Index.

**BOM Dividend guidance:** On 24th September 2020, the Bank of Mauritius (BOM) issued a Guideline on Payment of Dividend applicable, as from 24th September, to all deposit taking institutions. The Guideline sets out the minimum criteria and requirements before declaring dividend payments or other transfers from profits. Payment of dividend or other transfers from profits shall normally be made once a year.

| Commodities<br>30/09/2020 | Current Value (USD) | % Change in |                  |                |                |                |
|---------------------------|---------------------|-------------|------------------|----------------|----------------|----------------|
|                           |                     | Last Month  | Year-to-date YTD | Last 12 Months | Last 3 Years * | Last 5 Years * |
| Gold                      | 1,895.50            | -4.2%       | 24.5%            | 28.1%          | 13.8%          | 11.2%          |
| Oil                       | 40.95               | -9.6%       | -38.0%           | -31.1%         | -10.7%         | -3.3%          |
| Sugar                     | 13.07               | 3.2%        | -2.6%            | 9.6%           | -1.2%          | 0.4%           |

Against a background of the strengthening of the US Dollar, **gold price edged down and recorded its worst monthly loss of 4.2% since November 2016**. Year-to-date, gold was still up by 24.5%. According to Citigroup Inc., gold could potentially hit a record before the year-end, thanks to the risks surrounding the US presidential election. (Source: Bloomberg)

In September, oil prices were dragged down by higher OPEC output and weak demand outlook. (source: CNBC) **Oil prices fell by 9.6%** during the month. With infection rates going up, demand is not expected to be back to pre-pandemic levels anytime soon.

| 30/09/2020     | Weighted Average: | T-Bill Yield |
|----------------|-------------------|--------------|
| 91-Day         |                   | Not Issued   |
| 182-Day        |                   | Not Issued   |
| 364-Day        |                   | 1.40%        |
| 30/09/2020     |                   |              |
| Repo Rate      |                   | 1.85%        |
| Deposit Rate * |                   | 0.49%*       |

\*Weighted Average Deposit Rate of Banks as at August 2020

The Bloomberg Barclays Global Aggregate Bond Index dropped slightly by 0.4% during September. Amid falling yields, year-to-date, the index was up 5.7%. As at 30th September 2020, yield on a 10-year US Treasury Bond stood at 0.69%, compared to 0.71% as at end-August 2020.

| 30/09/2020                | Current Value (USD) | Last Month | YTD    | Last 12 Months |
|---------------------------|---------------------|------------|--------|----------------|
| <b>Foreign Indices</b>    |                     |            |        |                |
| S&P Global Property       | 448.92              | -3.0%      | -17.5% | -14.7%         |
| S&P Listed Private Equity | 320.59              | -3.8%      | -13.7% | -5.5%          |
| S&P Global Infrastructure | 4,737.80            | -3.0%      | -18.1% | -16.7%         |

| Foreign Bond Indices                           |        |       |      |       |
|--|--------|-------|------|-------|
| S&P Africa Sovereign Bond                      | 869.47 | 1.0%  | 7.7% | 11.2% |
| S&P 500 Bond Index                             | 524.86 | -0.1% | 7.1% | 8.3%  |
| S&P International CBI                          | 143.18 | -2.3% | 4.9% | 9.0%  |
| Bloomberg Barclays Global Aggregate Bond Index | 540.96 | -0.4% | 5.7% | 6.2%  |

| Currencies<br>30/09/2020 | In MUR        |            | % Change in |                  |                |                |
|--------------------------|---------------|------------|-------------|------------------|----------------|----------------|
|                          | Current Value | Past Month | Last Month  | Year-to-date YTD | Last 12 Months | Last 3 Years * |
| GBP                      | 51.00         | 52.80      | -3.4%       | 7.4%             | 14.4%          | 4.0%           |
| USD                      | 39.90         | 39.74      | 0.4%        | 9.7%             | 9.5%           | 5.5%           |
| EUR                      | 46.62         | 47.10      | -1.0%       | 15.0%            | 17.6%          | 5.4%           |

Over rising Covid-19 cases, the outlook for the British economy remained blurry. The **Pound came under pressure** after data showed that the UK economy officially entered recession with worst contraction on record in the second quarter of 2020. It lost 3.4% relative to the MUR in September.

The **US Dollar** rose slightly by 0.4% over the month under review.

The **Euro** depreciated by 1.0% against the local currency during September. However, the Euro recorded the largest appreciation of 15% against the MUR, year-to-date.

**Article: Share Splits**



A share split is the division of a share into multiple shares. For example, if a company announces a 1:2 share split, it divides one share into two. So, if the value of a share is Rs 10, it becomes Rs 5 following the split. In effect, by adjusting the face value of share, the company tries to boost the liquidity of its shares.

In a 3-for-1 share split, each shareholder receives an additional 2 shares for each share they hold. A share split does not involve a conversion of reserves into ordinary shares.

With a share split, the number of shares issued by the company increases and both earnings per share and book value per share will decline proportionately.

**Impact on Shareholder Funds- Are shareholders better off?**

Total Shareholder Funds (share capital + reserves) remain unchanged under share split. Think of a Rs 1000 bank note. Exchanging it into two notes of Rs 500 does not imply that the holder is now better off. He still has Rs 1000 on him! Stock splits are cosmetic and do not fundamentally change anything about the company. Shares are made more accessible to a larger number of investors because of their cheaper price.

Share splits tend to have a similar impact when compared to bonus issues. The key difference is that with a bonus issue, the company will need to capitalize certain reserves.

**Benefits of Share Split**

Improved Liquidity

- Share splits are generally expected to improve liquidity of shares, as there will henceforth be more shares in circulation following the split.

Cheaper Shares

- Furthermore, given the lower price, the shares will appear cheaper to investors. Certain companies worry when the share price gets too high as this could scare off some investors, especially small investors. Splitting the stock brings the per share price down to a reasonable level.

Bullish Indicator

- A share split is sometimes seen as a bullish indicator – The share price is increasing and that the company is perhaps doing well. According to a Credit Suisse First Boston Report (1) covering share splits, share splits may be appropriate for good quality companies having strong growth opportunities. These companies’ share prices of these companies tend to perform well after the share split.

(1) Chris Northwood (July, 2000), Credit Suisse First Boston - 'The virtues of a Share Split'

**The Mauritian context**

Share splits/Bonus issues are not very common in Mauritius. Recently, in July 2020, Mauritius Cosmetics Ltd announced a bonus issue in the ratio of 1 new ordinary share for every 1 ordinary share held.

It is also interesting to note that in 2016, the Board of Directors of SBM Holdings Ltd had proceeded with a reverse share split, whereby it consolidated its shares using a ratio of 10:1. This means that for every ten shares held, the shareholder would subsequently hold one share post the reverse share split. There will therefore be fewer SBM Holdings shares in issue. The aim was to enhance the marketability of its shares.

**Trends Abroad**

Just when it looked like stock splits were dying out, two of the most valuable companies, Apple and Tesla announced share splits in the recent weeks.

On 30th July, Apple announced a four-for-one split with the intention of making the stock more accessible to a broader base of investors. High-priced stocks sometimes reduce liquidity on the market. Therefore, through a split, investors benefit from a more normal stock price. Apple made a similar move in 2014, when it had offered a seven-for-one stock split. At the time, Apple was trading above USD 600 per share. The split brought shares of Apple to about USD 92 a share.

Soon after, on 11th August, Tesla also announced a five-for-one split. Both stocks began trading on a split-adjusted basis on 31st August. As at 30 September 2020, Apple and Tesla stocks gained 20% and 56%, respectively since the announcement of the share splits. Paradoxically, Apple created more value for its shareholders by announcing a stock split in 2020 than by coming out with new products. Tesla’s market capitalization grew significantly and exceeded the market cap of all US, European, and Japanese car makers combined.

The success of the share splits for Apple and Tesla could potentially lead other companies with high-priced stocks to consider share splits as well. Investors are speculating that high-priced stocks like Amazon and Google could be next in line for a stock split.

| Consumer Price Index (Mauritius) | % Change in   |            |                    |                |                           |
|----------------------------------|---------------|------------|--------------------|----------------|---------------------------|
|                                  | Current Value | Last Month | Year-to-date (YTD) | Last 12 Months | Last 3 Years (Annualised) |
| 30/09/2020                       | 120.10        | 0.7%       | 2.6%               | 2.6%           | 1.9%                      |

The above figures represent the CPI as at end-September 2020. The year-on-year inflation rate for September 2020, as measured by the change in the CPI for September 2020 relative to September 2019 works out to 2.6%. (Source: Statistics Mauritius).

**General News**

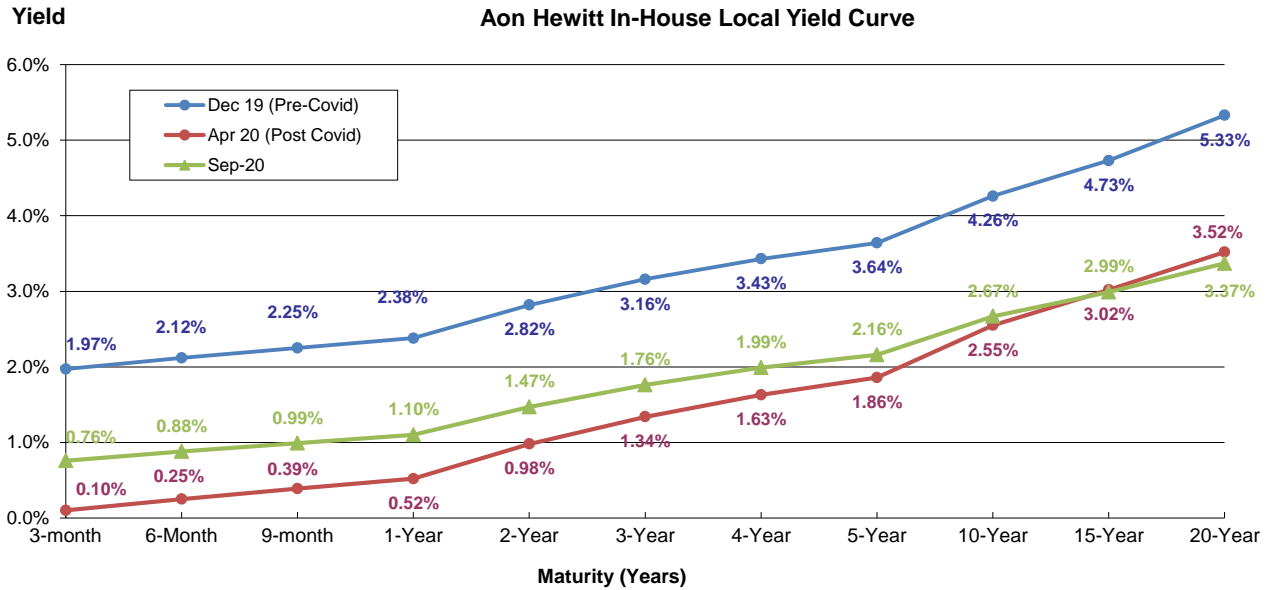
**Global Economic Recovery**

According to the International Labour Organisation, the economic fallout from the pandemic wiped out USD 3.5 trillion in global earnings over the past nine months. The Organization for Economic Development (OECD) expects the world economy to shrink by 4.5%, up from an earlier estimate of a 6% contraction, mainly because of better-than-expected recoveries in the United States and China.

**Interest rates kept at near zero!**

Recovery of the US economy is expected to be slow. This recovery will much depend on continuous support from the central bank in terms of an accommodative monetary policy. The Federal Reserve announced that interest rates will be kept at zero (through at least 2023) until inflation is back on track, averaging 2% over time. (Source: Bloomberg)

Amidst all the uncertainties, the Bank of England also held interest rates at 0.1%, a historic low. The rising number of Covid-19 infections and a lack of clarity over the UK’s future trade relationship with the European Union further threatened the economic recovery. The Bank also discussed the use of negative interest rates to stimulate the economy.



*Note: Key information is obtained from primary dealers.*

During September 2020, yields on local treasury instruments of maturities picked up slightly, compared to post-Covid levels. **Yield on the 10-year Treasury Bonds stood at 2.67% as at 30 September 2020, compared to 2.55% as at end-April 2020.**

**Disclaimer:** Nothing in this document should be considered as being financial advice. Past performance is not a guide to the future. Our investment consultants will be pleased to answer questions on its contents but cannot give individual financial advice.

Source: Stock Exchange of Mauritius, Bank of Mauritius, Statistics Mauritius, Axys Stockbrokers, MSCI, Bloomberg, etc.