

December 2022

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Note: The charts below show the performance of local and foreign equity indices on a time-series basis, year-to-date (from 1 January to 31 December)

Foreign Equity Indices

	Current Value (in USD)	Last month	Year 2022	Last 12 months	Last 3 Years*	Last 5 Years* <i>*annualised</i>
MSCI EM (Emerging Markets)	486.057	-1.4%	-20.1%	-20.1%	-2.7%	-1.4%
MSCI World Index	7,985.857	-4.2%	-18.1%	-18.1%	4.9%	6.1%
MSCI All Country World Index	317.6	-3.9%	-18.4%	-18.4%	4.0%	5.2%
MSCI EFM Africa	1,078.965	-3.5%	-5.9%	-5.9%	-2.0%	-4.5%
MSCI ACWI ESG Leaders Index	2,151.7	-3.9%	-20.0%	-20.0%	3.9%	5.4%
S&P 500	3,839.5	-5.9%	-19.4%	-19.4%	5.9%	7.5%
S&P 500 ESG Index	437.3	-5.9%	-17.7%	-17.7%	9.1%	10.7%
EuroStoxx 50 (in EUR)	3,793.6	-4.3%	-11.7%	-11.7%	0.4%	1.6%
FTSE 100 (in GBP)	7,451.7	-1.6%	0.9%	0.9%	-0.4%	-0.6%

2022 was quite an exceptional year for the global capital markets, which had to deal with a range of geopolitical and economic headwinds after the pandemic. Amid rising commodity and energy prices, inflation was the dominant narrative during the year. Global economies saw unprecedented policy rate hikes, daily price swings, and recession worries. In December, most of the foreign equity indices fell further and ended the year in the red. It is to be noted that even bond markets around the world registered negative returns during the year.

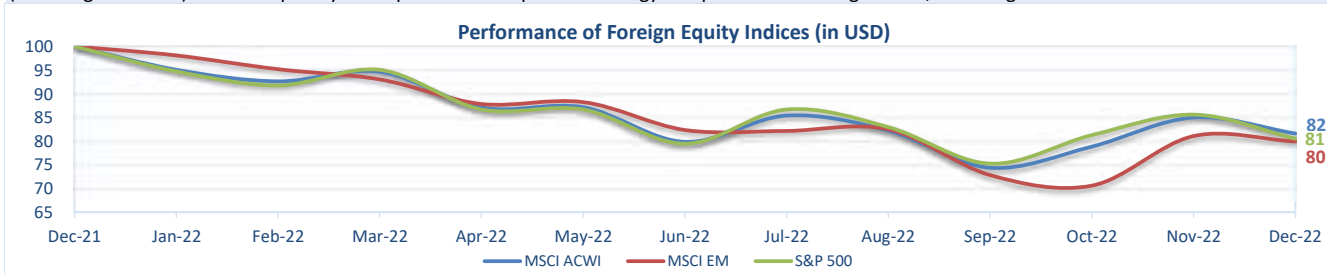
The MSCI All Country World Index lost 18.4% during 2022. The MSCI Emerging Markets Index returned -20.1% and was the worst performer among the above foreign equity indices.

Global central banks responded to inflationary pressures with one of the strongest hiking cycles in decades. Over 80 central banks, including 15 of the 20 most important central banks for markets globally, tightened their respective monetary policies in 2022 (source: Nasdaq). The US Federal Reserve (Fed) hiked its policy rates by 4.25% across the seven meetings held in 2022.

The US equity benchmark index, the S&P 500 closed its worst calendar year since 2008, dropping by 19.4% for the year under review (source:Forbes). The Dow Jones Industrial Average Index also fell by 6.9% during the year. Among the US equity indices, the Nasdaq Composite and Nasdaq 100 were the major underperformers and returned -32.4% and -32.5%, respectively. The sharp fall recorded by these tech-heavy indices was due to their large allocation to large-cap and growth stocks, which were disproportionately impacted by the historic rise in rates.

In Europe, the European Central Bank (ECB) followed the steps of the Fed and further raised interest rates by 0.5% in December, a slower pace than its previous hikes of 0.75%. For the year, the EuroStoxx 50 returned -11.7% amid tighter labour market, soaring inflation and higher wage growth.

The London's blue-chip index, the FTSE 100 gained 0.9% during 2022. It made the FTSE 100 the only major market to deliver positive total returns (including dividends). It was helped by a sharp rise in share prices of energy companies and mining sectors, following the invasion of Ukraine.



Currencies

In MUR	Current Value (MUR)	Past Month	Last month	Year 2022	Last 12 Months	Last 3 Years* <i>*annualised</i>
GBP	52.70	52.27	0.8%	-9.7%	-9.7%	3.5%
USD	43.93	43.79	0.3%	1.1%	1.1%	6.5%
EUR	46.61	45.15	3.2%	-4.7%	-4.7%	4.8%
USD/EUR	1.07	1.04	2.9%	-5.9%	-5.9%	-4.5%

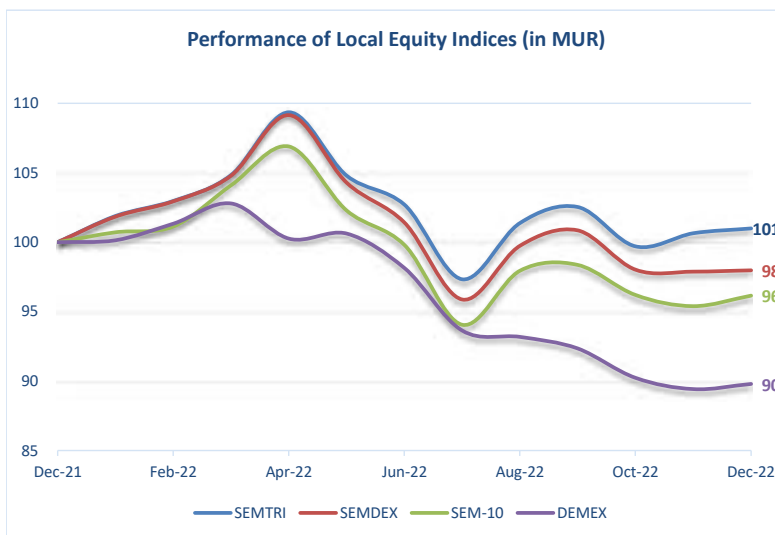
All the three major currencies (the Pound, US Dollar and Euro) strengthened relative to the local currency during December.

For the year ended December 2022, the US Dollar appreciated by 1.1% against the Mauritian Rupee. On the other hand, the Pound and the Euro lost value relative to the MUR over the year. The Pound registered the largest depreciation of 9.7% against the MUR in 2022, while the Euro fell by 4.7%.

The Euro depreciated by nearly 6% relative to the USD during 2022. It even touched parity during the year.

Local Equity Indices

	Current Value (in MUR)	Last month	Year 2022	Last 12 months	Last 3 Years*	Last 5 Years* ^{annualised}
SEMDEX	2,055.3	0.1%	-2.0%	-2.0%	-1.9%	-1.4%
SEM-10	373.0	0.8%	-3.9%	-3.9%	-4.6%	-2.4%
DEMEX	266.6	-0.3%	-12.8%	-12.8%	4.3%	3.0%
SEMTRI	8,427.6	0.4%	1.0%	1.0%	0.5%	1.3%
DEMTRI	412.5	0.4%	-10.2%	-10.2%	6.7%	5.9%
SEMSI	110.6	0.8%	-3.1%	-3.1%	-3.8%	-2.3%



Following the steps of global central banks, the Bank of Mauritius also raised the Key Repo Rate by 2.65% during the year to fight rising inflation locally. This seems to have had an adverse effect on local companies and the stock market. Moreover, spillovers of global economic uncertainty were felt among local investors.

Except for the SEMTRI, the local equity indices were mostly down for the year under review. The SEMDEX and the SEM-10 fell by 2.0% and 3.9%, respectively.

The SEMTRI (which is a total return index, inclusive of dividends), was the only index to register a positive return of 1% during 2022. Note that during the year, many local companies resumed or increased dividend payments post the pandemic.

Among the local equity indices, the DEMEX registered the biggest drop of 12.8% during the year.

Price Earnings Ratio and the Dividend Yield

As at end-December 2022, the Price Earnings Ratio and the Dividend Yield on the Official Market stood at 10.2 times and 3.62%.

Foreign Investments on the Official Market

During the year, foreign investors were net sellers on the Official Market. Net Sales amounted to MUR 1.1bln compared to MUR 2.1bln in 2021.

Rebalancing of the SEM-10 Index

On 05 January 2023, the SEM-10 Index Management Committee published the selected constituents of the SEM-10 and of the reserve list for the first quarter of 2023. Vivo Energy Mauritius Limited was introduced in the index (replacing Alteo Ltd) and Sun Limited made it to the Reserve List.

Local Yields & Inflation Rate

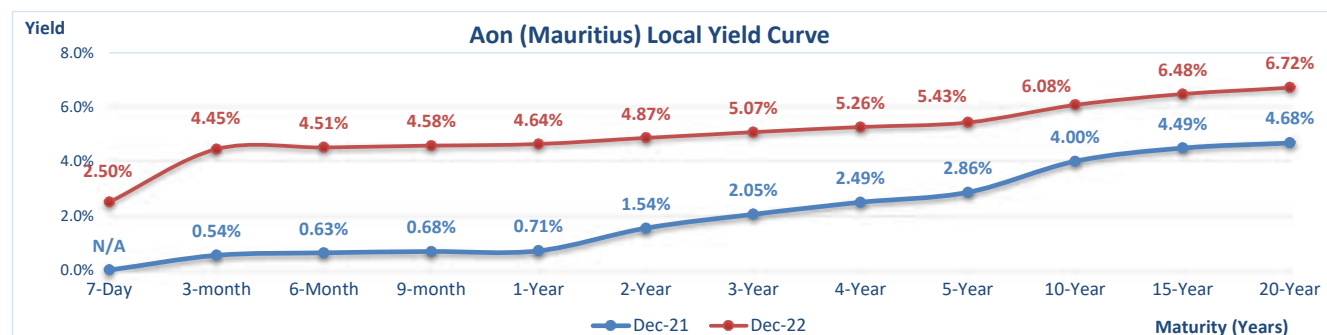
Consumer Price Index (Mauritius)

	Current Value	Last month	Year 2022	Last 12 months	Last 3 Years* ^{annualised}
Inflation Rate	191.5	0.2%	12.2%	12.2%	7.2%

Key Repo Rate (as at 14/12)	4.50%
Deposit Rate *	1.76%

*Weighted Average Deposit Rate of Banks as at November 2022

The above figures represent the CPI as at end-December 2022. Year-on-year inflation stood at 12.2% in December 2022, compared to 6.8% in December 2021. Headline inflation, calculated as the annual average over the 12-months ending December 2022 worked out to 10.8% (source: Statistics Mauritius).



Note: Key information for the yield curve is obtained from primary dealers and Bank of Mauritius.

In the backdrop of rate hikes, yields on local treasury instruments across all maturities also rose during the year. However, they remained below the inflation rate.

Short-term treasury instruments saw a more significant rise in yields during the year. The yield on the 1-Year Treasury Bond stood at 4.64% as at end-December 2022, up substantially by 3.93% for the year.

We also note that the local yield curve flattened during the year.

Local Bond Index	Current Value (in MUR)	Last month	Year 2022	Last 12 months	Last 3 Years*	Last 5 Years*
S&P Mauritius Sovereign Bond Index	155.03	-4.0%	-6.0%	-6.0%	0.9%	2.6%

*annualised

Amid rising local yields, the S&P Mauritius Sovereign Bond Index fell by 4.0% in December 2022 and 6.0% over the past 12 months. Recall that this index tracks the performance of local currency denominated sovereign debt publicly issued by the government of Mauritius in its domestic market.

Commodities & Other Investments

	Current Value (in USD)	Last month	Year 2022	Last 12 months	Last 3 Years*	Last 5 Years*
Gold	1,826.2	3.8%	-0.5%	-0.5%	6.2%	6.9%
Oil	85.9	0.6%	10.5%	10.5%	9.2%	5.1%
S&P GSCI Index	3,495.8	-1.4%	26.0%	26.0%	10.5%	6.5%

*annualised

Oil prices rebounded in December on the back of the US tightening its reserves and an improved demand outlook from China after the Government relaxed the Covid-19 restrictions. For the year 2022, oil prices rose by 10.5%.

Gold continued its rally into the end of the year on the back of concerns that further monetary policy tightening from major central banks could tip the global economy into recession in 2023, increasing demand for the safe-haven asset. However, it was down by 0.5% for the year.

In 2022, volatility in the commodities market was caught between geopolitical tensions and rising recession fears. The S&P GSCI Index fell by 1.4% in December but was up by 26.0% for the year 2022.

Alternatives: Foreign Indices	Current Value (USD)	Last month	Year 2022	Last 12 Months	Last 3 Years*
S&P Global Property	474.1	-2.6%	-23.4%	-23.4%	-4.5%
S&P Listed Private Equity	405.7	-6.5%	-28.1%	-28.1%	3.0%
S&P Global Infrastructure	6,086.0	-2.2%	-0.2%	-3.7%	1.7%

*annualised

Foreign Bond Indices	Current Value (USD)	Last month	Year 2022	Last 12 Months	Last 3 Years*
S&P Africa Sovereign Bond	1,018.1	1.1%	4.6%	4.6%	8.0%
S&P 500 Bond Index	456.5	-0.5%	-15.4%	-15.4%	-2.3%
S&P International CBI	112.5	0.6%	-22.1%	-22.1%	-6.2%
Bloomberg Global Aggregate Total Return Index	445.9	-1.3%	-16.2%	-16.2%	-4.5%

Other Indices	Current Value (USD)	Last month	Year 2022	Last 12 Months	Last 3 Years*
Renaissance IPO Index	272.6	-10.5%	-57.1%	-57.1%	-6.7%

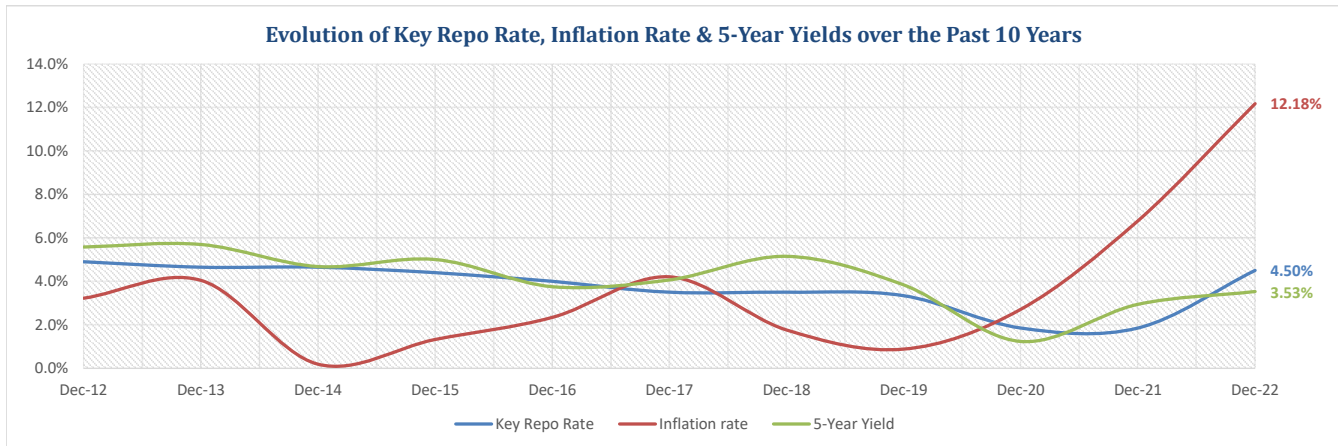
2022 was the worst year ever for bond markets, with the Federal Reserve initiated the steepest interest rate cycle (the largest rate hike in the shortest time). While bond yields in November eased due to better inflation data, they went sharply higher again in December.

The US 10-year yield rose from 3.83% to 3.88%, while that of the two-year Treasury Bond rose from 4.28% to 4.42%.

The Bloomberg Global Aggregate Total Return Index was down by 1.3% for the month, bringing its year-to-date return to -16.2%.

The Renaissance IPO Index, which tracks newly listed companies, was down by 10.5% in December. It has lost 57.1% in 2022. The IPO market tumbled in 2022. There were only 71 traditional IPOs or direct listings in 2022 that had market capitalisations of at least USD 50mln, compared with 397 in 2021 (source: Renaissance Capital).

Analysis: Evolution of the Local Key Repo Rate, Inflation Rate and 5-Year Yield



The above graph shows the evolution of the repo rate, inflation rate and yield on the 5-Year Government of Mauritius bonds in Mauritius over a period of 10 years.

From the above, we note the following:

- Inflation rates spiked up significantly as from 2019.
- In response of the pandemic, Key Repo Rate was reduced to 1.85% in 2020. Recently in 2022, the Bank of Mauritius raised the Key Repo Rate to 4.50% to combat rising inflation. The Key Repo Rate as at end-December 2022 stood at almost the same level as it was in 2012.
- The yield on the 5-Year Government of Mauritius Bond generally followed a similar trend as the Key Repo Rate. As at end-December 2022, it stood at 3.53%. However, it is to be highlighted that this yield was much lower than the yield as at end of 2012.

Bank of Mauritius Inflation Forecast for 2023

The Bank of Mauritius expects inflation to take a downward trajectory in 2023 and forecasts it to be within the range of 5% to 6% for the year (source: Minutes of the 66th Monetary Policy Committee Meeting held on 14 December 2022).

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, MSCI, Bloomberg, Investing, etc.