

February 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 28 February)

Foreign Equity Indices

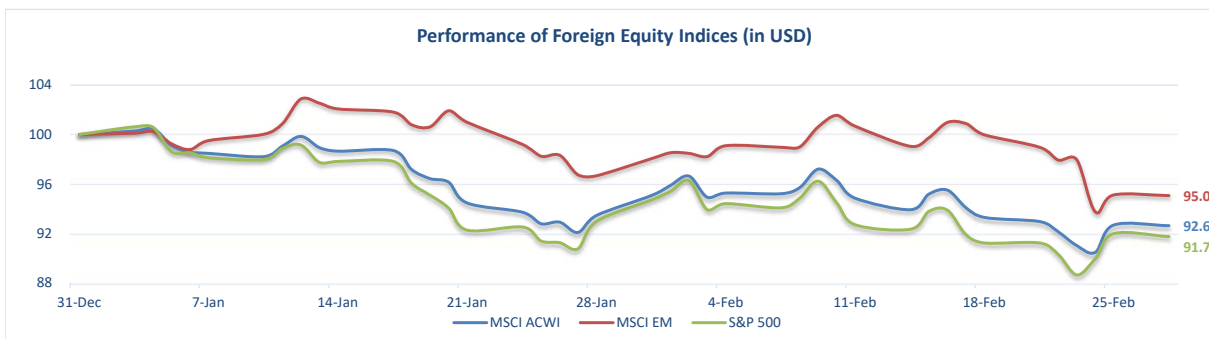
	Current Value (in USD)	Last month	Year-to-Date	Last 12 months	Last 3 Years*	Last 5 Years* <i>*annualised</i>
MSCI EM (Emerging markets)	578.9	-3.0%	-4.8%	-10.7%	6.0%	7.0%
MSCI World Index	9,005.8	-2.5%	-7.7%	10.7%	14.4%	12.1%
MSCI All Country World Index	360.4	-2.6%	-7.4%	7.8%	13.4%	11.4%
MSCI EFM Africa	1,260.7	3.8%	9.9%	8.8%	4.7%	3.8%
MSCI ACWI ESG Leaders Index	2,460.3	-3.3%	-8.5%	8.1%	13.9%	11.8%
S&P 500	4,373.8	-3.1%	-8.2%	14.8%	16.2%	13.1%
S&P 500 ESG Index	491.9	-2.6%	-7.4%	17.0%	20.7%	16.6%
EuroStoxx 50 (in EUR)	3,924.2	-6.0%	-8.7%	7.9%	6.0%	3.4%
FTSE 100 (in GBP)	7,458.3	-0.1%	1.0%	15.0%	1.8%	0.5%

Russia's invasion of Ukraine on 24 February rattled the major stock markets which were already fragile. February was a volatile month for obvious geopolitical reasons. The VIX Index, which seeks to measure fear and uncertainty in the market, jumped as hopes of a ceasefire are shrinking. [Read more about the Ukraine-Russia crisis in this month's article on Page 3.](#)

The Russia/Ukraine conflict, commodity price spikes, inflation concerns, and a very uncertain Fed outlook have caused recession fears to rapidly intensify and equity markets to sell off sharply. The economic effects of the on-going war were felt across the globe. The major equity indices registered losses during the month and since the start of the year 2022. The MSCI All Country World Index and the MSCI Emerging Markets Index shed 2.6% and 3.0%, respectively. The MSCI Emerging and Frontier Markets Africa Index, on the other hand gained 3.8% in USD terms.

President Joe Biden has announced a ban on Russian oil imports. Investors in the US remained on the edge about slowing economic growth stemming from Russia's invasion of Ukraine. The S&P 500 Index fell by 3.1% in February. On 07 March, the S&P 500 dropped nearly 3% and recorded its worst day since October 2020 (source: CNBC).

While high-growth technology stocks were already getting pummeled before Russian's invasion of the Ukraine, the outlook over the past three weeks has worsened. On 07 March, the Nasdaq Composite, which includes many of the market's biggest tech stocks, also slid 3.6%, falling into bear market territory. The tech-heavy index was down by 20% from its record high from November.



The European stock markets also suffered the same fate with the EuroStoxx 50 falling by 6.0% in February. The FTSE 100, in contrast was rather flat during the month.

Currencies

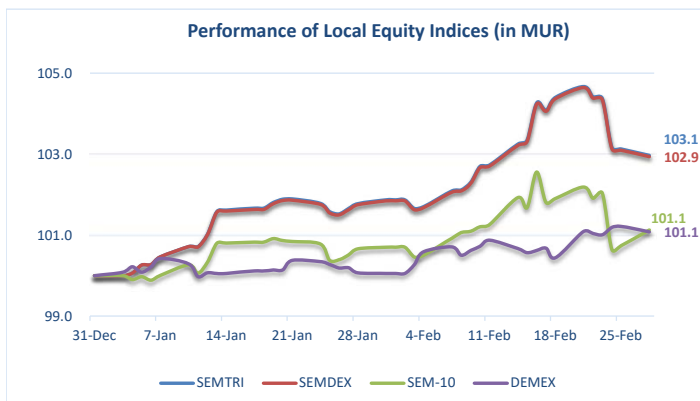
In MUR	Current Value (MUR)	Past Month	Last month	Year-to-Date	Last 12 Months	Last 3 Years* <i>*annualised</i>
GBP	58.44	57.83	1.0%	0.2%	5.7%	9.0%
USD	43.95	43.29	1.5%	1.1%	10.5%	8.8%
EUR	48.83	48.15	1.4%	-0.2%	1.5%	8.1%

All the above currencies (the Pound, the Euro and the US Dollar) appreciated relative to the Mauritian Rupee in February. Month-to-date and year-to-date, the US Dollar saw the largest gain.

Amid the on-going geopolitical and economic nerves, risk appetite is sinking and investors are rushing to safer assets. During the first week of March, the US Dollar Index (which tracks the greenback against a basket of other major currencies) rose by 2.5%.

Local Equity Indices

	Current Value (in MUR)	Last month	Year-to-Date	Last 12 months	Last 3 Years*	Last 5 Years**
SEMDEX	2,159.5	1.1%	2.9%	35.1%	-0.7%	2.3%
SEM-10	392.4	0.4%	1.1%	31.9%	-3.0%	1.2%
DEMEX	309.0	1.0%	1.1%	35.5%	9.4%	8.2%
SEMTRI	8,592.6	1.1%	3.0%	39.2%	1.7%	5.1%
DEMTRI	465.6	1.2%	1.3%	38.5%	11.9%	11.2%
ALEX 20	1,122	0.9%	2.8%	38.8%	-0.3%	2.6%
ALCAPEX 12	1,827.9	5.3%	8.2%	58.1%	5.1%	5.1%
SEMSI	116.1	-0.1%	1.7%	34.0%	-2.1%	N/A



Locally, positive stock market performance during February was supported by improved earnings reported by mainly listed companies. However, the Official Market indices lost some ground towards the end of the month.

The SEM indices (except the SEMSI) ended the month in the green, with the SEMDEX and SEMTRI gaining 1.1% each. The SEM-10 was also up by 0.4%.

The DEM markets also moved up in February. The DEMEX rose by 1%.

Price/Earnings ratio and Dividend Yield of the Official Market stood at 15x and 2.8% as at end-February 2022 (compared to 14x and 2.8% as at 31 December 2021).

On 09 March, the Monetary Policy Committee (MPC) of the Bank of Mauritius unanimously decided to **raise the Key Repo Rate by 15 basis points to 2.0%** per annum. In view of increasing inflation risks, this increase is expected to continue to promote macroeconomic conditions conducive to the recovery of the local economy (source: Bank of Mauritius).

Local Yields & Inflation Rate

Consumer Price Index (Mauritius)

	Current Value	Last month	Year-to-Date	Last 12 months	Last 3 Years*
Inflation Rate	177.2	2.3%	3.8%	9.0%	4.0%

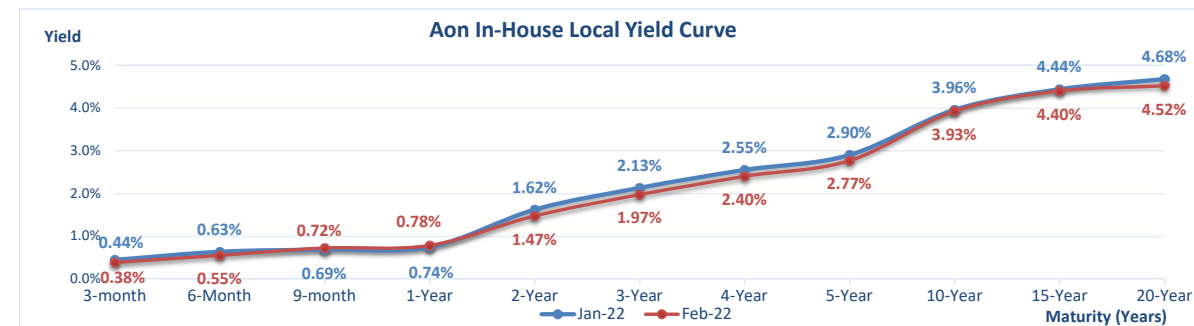
Recent Issues by the BoM

Weighted Average	T-Bill Yield
91-Day	0.61%
182-Day	0.68%
364-Day	0.78%

Repo Rate	1.85%
Deposit Rate *	0.40%*

*Weighted Average Deposit Rate of Banks as at January 2022

The above figures represent the CPI as at 28 February 2022. Year-on-year inflation worked out to 9.0% in February 2022, compared to 1.2% in February 2021. Headline inflation, calculated as the annual average over the 12-months ending February 2022 worked out to 5.2%. (source: Statistics Mauritius)



Note: Key information for the yield curve is obtained from primary dealers.

Local yields remained range-bound during the month. With the inflation rate rising to 9.0%, yields across all maturities were negative in real terms.

Local Bond Index	Current Value (in MUR)	Last month	Year-to-Date	Last 12 months	Last 3 Years*	Last 5 Years**
S&P Mauritius Sovereign Bond Index	166.11	0.3%	0.7%	-2.7%	5.7%	5.2%

The S&P Mauritius Sovereign Bond Index tracks the performance of Rupee-denominated sovereign debt publicly issued by the Government of Mauritius in its domestic market. Over year-to-date, the index gained 0.7%.

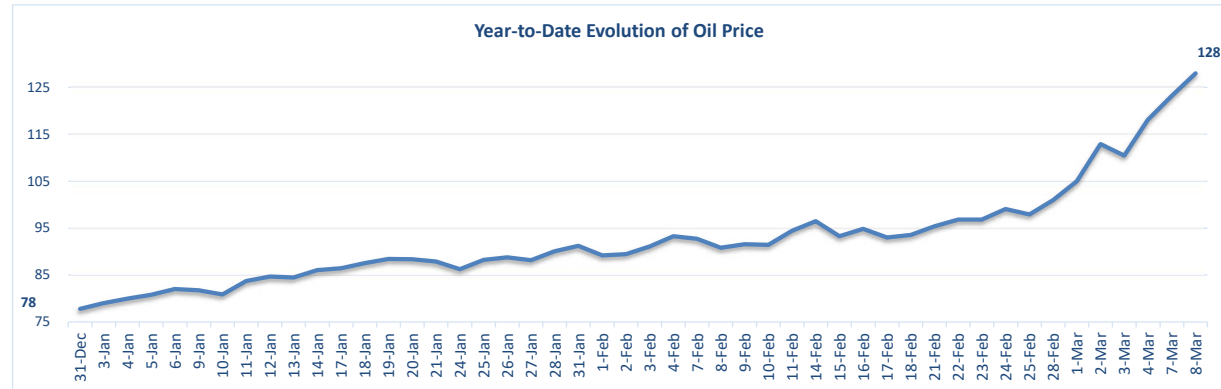
Commodities & Other Investments

	Current Value (in USD)	Last month	Year-to-Date	Last 12 months	Last 3 Years*	Last 5 Years* ^{*annualised}
Gold	1,900.7	5.8%	3.9%	9.4%	13.0%	8.7%
Oil	101.0	10.7%	29.8%	52.7%	15.2%	12.7%
S&P GSCI Index	673.1	7.9%	19.9%	41.1%	16.4%	10.8%

The price of gold edged higher by 5.8% in February. On 8 March, gold prices further climbed to above USD 2000, marking a new high since August 2020 (source: *The Wall Street Journal*). The Ukraine-Russia war and oil-market disruptions rushed investors to assets they perceive as safer. Growing uncertainty about the economic effects from the on-going conflict has benefitted the yellow metal, which is considered a safe-haven.

In February, the oil price rose sharply by more than 10%. On 07 March, Brent crude oil surpassed the USD 130 a barrel mark, the highest price since July 2008 due to concerns over global energy supplies after Russia invaded Ukraine. **Post-February, the oil price had further surged by nearly 30%, bringing the year-to-date increase in oil price to 64% as at 08 March. The chart below shows the evolution of the oil price since the beginning of this year.**

Global commodity prices relentlessly powered higher during the month as the fallout from war threatened to the global economy. The S&P GSCI Index rose by 7.9% in February. As seen above, energy prices are certainly soaring. Moreover, Russia's significant role in metals has driven even bigger jumps in other commodities such as copper, nickel and aluminium. As at 08 March, this commodity index had risen by 24% since Russia invaded Ukraine on 24 February.



Alternatives: Foreign Indices	Current Value (USD)	Last month	Year-to-Date	Last 12 Months	Last 3 Years* ^{*annualised}
S&P Global Property	574.9	-2.3%	-7.2%	11.1%	5.7%
S&P Listed Private Equity	509.0	-4.1%	-9.7%	22.1%	20.1%
S&P Global Infrastructure	6,187.2	2.5%	1.5%	11.5%	6.9%

Foreign Bond Indices	Current Value (USD)	Last month	Year-to-Date	Last 12 Months	Last 3 Years* ^{*annualised}
S&P Africa Sovereign Bond	992.9	1.0%	2.0%	9.6%	10.9%
S&P 500 Bond Index	518.9	0.0%	-3.8%	-1.2%	5.5%
S&P International CBI	136.2	-2.3%	-5.8%	-9.6%	1.8%
Bloomberg Global Aggregate Total Return Index	515.3	-1.2%	-3.2%	-5.3%	2.2%

Other Indices	Current Value (USD)	Last month	Year-to-Date	Last 12 Months	Last 3 Years* ^{*annualised}
Renaissance IPO Index	503.3	-1.3%	-20.7%	-31.2%	15.6%

In the backdrop of the on-going war and stronger inflationary pressures associated with it, bond yields moved higher during February. Investors are worried that import bans on Russia could have a stagflationary effect, where the economy slows but inflation moves higher. The yield on the benchmark 10-Year US Treasury Bond rose to 1.8% as at end-February.

Bond prices move inversely to yields. The Bloomberg Global Aggregate Total Return Index fell by 1.2% during the month.

This month's Article

The Russia-Ukraine War

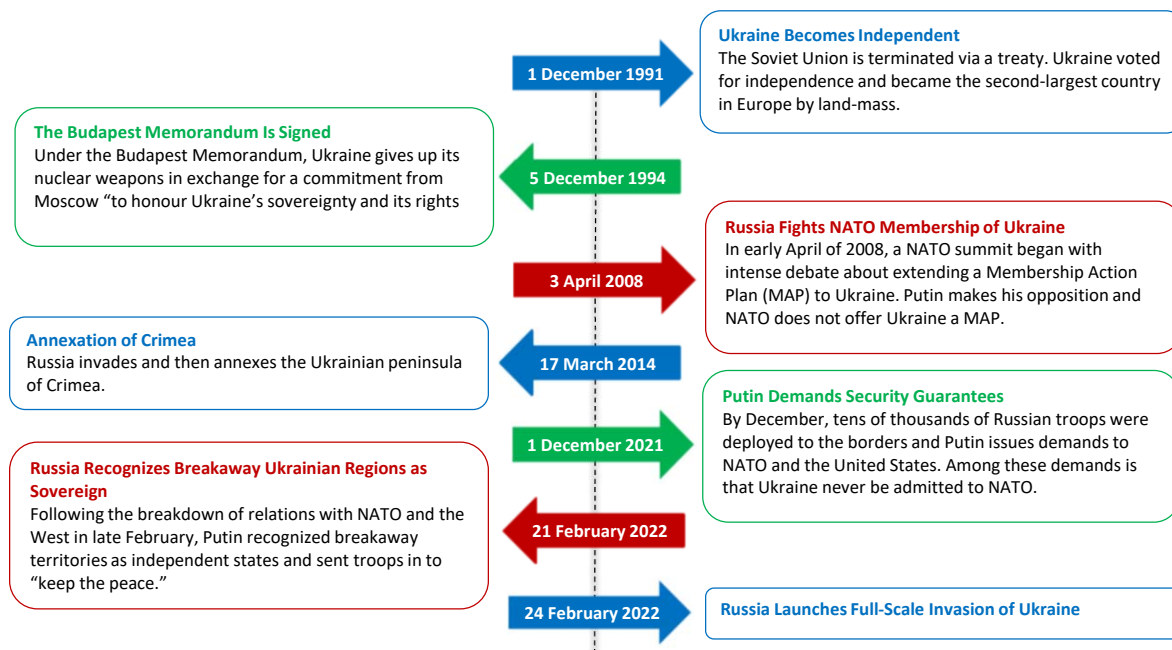
Two founding members of the Soviet Union, Russia and Ukraine are at war.

How did the two countries, once tied together by the Soviet Union, get to this point?

The Russia-Ukraine crisis is a continuation of the one that began in 2014, when Russia invaded and annexed Crimea. The seizure of Crimea is described as the biggest land-grab in Europe since World War II. Essentially, the battle over Ukraine is a battle for influence and power. Since December 2021, Russia's massive troop deployment near Ukraine border has raised the geopolitical tensions between the two countries.

At the heart of this crisis is NATO (North Atlantic Treaty Organization) – a group of 30 countries including the US, UK, France, and Germany. The conflict is about the future of Ukraine. Ukraine wants to join this group. The NATO, too, is open to make Ukraine its member, which has irked Russia. Russia does not want NATO to allow Ukraine to become its member. Ukraine is a larger stage for Russia to try to reassert its influence in Europe and the world, and for Putin to cement his legacy.

Here are some pivotal moments leading to the Russian invasion of Ukraine.



On 21 February, Russian President Vladimir Putin ordered troops into two pro-Russian, breakaway regions in eastern Ukraine and recognized them as independent states. On 24 February, the matter escalated further to a full-scale war with the Russian forces launching a major military assault on Ukraine. Missile strikes and explosions have been reported in major cities of Ukraine.

Cease-Fire Talks

Peace talks made little progress. Continuing campaigns to encircle Ukrainian cities, Russian forces have launched hundreds of missiles and artillery attacks, dropping powerful bombs on several cities and strategic locations in Ukraine. Negotiators are still in talks in efforts to ceasefire and open "humanitarian corridors" to let civilians in Ukrainian cities evacuate in the direction of their choice. Foreign ministers of both countries are set to meet on 10 March in Turkey to further these talks. In retaliation, the US, UK, European Union, and other allies, including Japan, Canada, Australia, and South Korea, imposed a list of sanctions on Russia.

On 8 March, Ukraine's President said that he has cooled down on joining NATO and is open to discussions about control of Russian-backed separatist regions.

Markets in Turmoil

Oil prices soared. On 08 March 2022, the global benchmark Brent crude oil price reached USD 130 a barrel, the highest level since July 2008. Russia further warned that oil prices could surge to as much as USD 300 a barrel and it might close the main gas pipeline to Germany if the West halts oil imports over the invasion of Ukraine.

The invasion of Russia into Ukraine has weighed heavily on the global stock markets. US stocks and global equity indexes dropped drastically. Since the beginning of 2022, the MSCI All Country World Index, the S&P 500 and the EuroStoxx 50 were down by 13%, 12% and 18% respectively (as at 08 March). The VIX Index, a measure of expected volatility in the S&P 500 rose above 35, above its long-run average of about 20, indicating market stress.

In Russia, the Moscow Exchange suspended trading on all markets on 24 February, until further notice. The Moscow Exchange has also been suspended from the World Federation of Exchanges, the main global trade association for bourses. (source: Wall Street Journal)

Russian financial markets have been called "uninvestable" after the country's invasion of Ukraine was met with sanctions from the U.S., Europe, and other Western nations. On 06 March, Russia's Finance Ministry said that sovereign bond payments will depend on sanctions imposed, raising the spectre of its first major default on foreign bonds since the years.

With Russia's invasion of Ukraine rolling the stock markets, making calm decisions is the best way forward and panic selling should be avoided. Real-world events can make stock prices more volatile in the short-term. While the geopolitical unrest is alarming for many reasons, investors are recommended to remain calm and focus on the long-term.

Historically, the markets have shaken their fears in a relatively short period after a contraction at the start of hostilities.

World War I	•The Dow fell more than 30% and markets were closed for six months. When they reopened, the Dow rose more than 88% in 1915. From the start of the war in 1914 until it ended in late 1918, the Dow gained over 43%—roughly 8.7% annually.
World War II	•The Dow increased 10% on the first day of trading after Hitler invaded Poland in 1939. When the attack on Pearl Harbor occurred, stocks fell 2.9% but regained those losses in one month. From 1939 until the end of the war in late 1945, the Dow saw increases of 50%, more than 7% per year.
Cuban Missile Crisis	•While many feared events in 1962 would lead to World War III, investors were rather calm. During the 13-day confrontation, the Dow lost just 1.2%—and it gained 10% during the remainder of the year.
9/11	•Stocks tumbled nearly 15% in a matter of days following the terrorist attacks, hampered by an ongoing recession and the dotcom collapse. But within months, the market had regained those losses.
Iraq War	•Stocks jumped 2.3% when the U.S. invaded Iraq in 2003. The markets were up 30% by the end of the year.

“History doesn’t repeat itself, but it often rhymes” - Mark Twain.

***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, Investing, etc.