Empower Results®

January 2022

For further enquiries, please contact the Mauritian Investment Consulting Team on investment@aonhewitt.mu

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 January)

Foreign Equity Indices

	Current Value (in USD)	Last month	Last 3 months	Last 12 months	Last 3 Years*	Last 5 Years*
MSCI EM (Emerging markets)	596.8	**-1.9%**	-4.1%	-7.2%	7.2%	8.3%
MSCI World Index	9,239.5	**-5.3%**	-3.4%	16.5%	16.6%	13.2%
MSCI All Country World Index	369.9	**-4.9%**	-3.5%	13.2%	15.4%	12.6%
MSCI EFM Africa	1,214.9	**5.9%**	5.2%	7.5%	1.8%	3.3%
MSCI ACWI ESG Leaders Index	2,543.1	**-5.4%**	-4.4%	14.2%	16.2%	13.1%
S&P 500	4,515.6	**-5.3%**	-2.0%	21.6%	18.6%	14.7%
S&P 500 ESG Index	505.1	**-4.9%**	-0.9%	26.3%	23.0%	18.1%
EuroStoxx 50 (in EUR)	4,174.6	**-2.9%**	-1.8%	19.9%	9.7%	5.3%
FTSE 100 (in GBP)	7,464.4	**1.1%**	3.1%	16.5%	2.3%	1.0%

*annualised

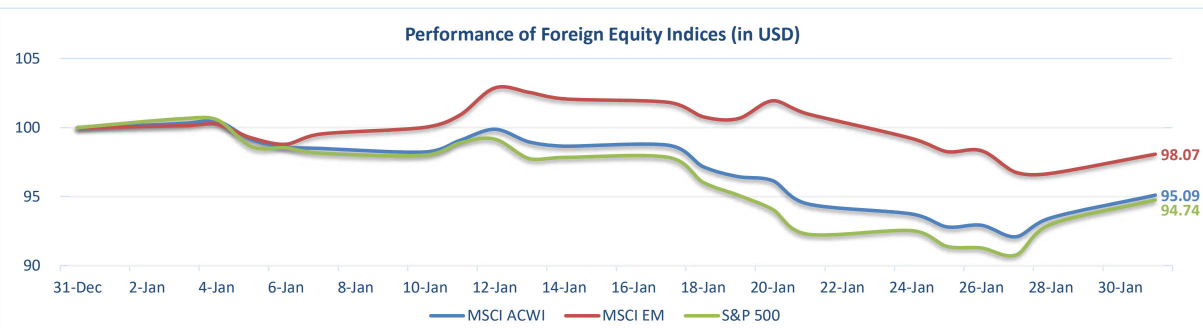
2022 is off to a turbulent start for foreign equity markets. Stocks had their worst month since March 2020. The MSCI All Country World Index and the MSCI World Index dropped by 4.9% and 5.3% (in USD terms) respectively. The MSCI Emerging Markets also ended the month in red and fell by 1.9%. The MSCI Emerging and Frontier Markets Africa index however registered positive returns of nearly 6% in January.

Market volatility was dominated by concerns over the Federal Reserve's monetary policy and geopolitical tensions between Russia and the West. The prospect of faster or larger US interest rate hikes and stimulus withdrawal starting in March 2022 are preoccupying investors. Moreover, inflation in the US continues to surge, with consumer prices rising 7% in 2021, marking the highest rate in nearly 40 years.

Towards the end of the month, economic reports helped eased inflation fears in the US. Beyond the market turmoil, US economic growth remains strong despite surging inflation. GDP rebounded strongly by 6.9% in 2021 after a decline of 3.4% in 2020 thanks to an increase in consumer spending, exports and private investments *(source: Forbes).* Moreover, the labour market continues to recover from the pandemic, with the latest figures showing a diminishing impact from the Omicron variant. The US economy created a better-than-expected 467,000 new jobs in December.

Nevertheless, the US benchmark index, S&P 500 lost 5.3% in January 2022, its biggest monthly drop since the pandemic took hold in March 2020. Nearly 75% of stocks in the S&P 500 were down for the month and over a third have plunged more than 10% since the start of 2022, according to Bloomberg data.

Technology stocks have been hard hit by the rising bond yields as investors rotate out of risky growth stocks into safer assets. The tech-heavy Nasdaq Composite Index was down by 9.0% during the month. Moreover, a weaker-than-expected set of results and disappointing earnings forecast from Facebook parent company Meta further weighed down on tech stocks in the first week of February. *Read more about why technology stocks are struggling in this month's article.*



European stocks closed lower as investors reacted to policy decisions from both the European Central Bank and the Bank of England amid persistent inflationary pressures. The Bank of England increased interest rates to 0.5%, the second rise in three months, in an attempt to curb a rapid rise in the cost of living. The EuroStoxx 50 dropped by 2.9% (in EUR terms) during the month under review.

The FTSE 100, on the other hand gained 1.1% (in GBP terms) in January.

Currencies

In MUR	Current Value (MUR)	Past Month	Last month	Year-to-Date	Last 12 Months	Last 3 Years
GBP	57.83	58.34	**-0.9%**	-1.6%	7.0%	9.0%
USD	43.29	43.47	**-0.4%**	1.1%	9.3%	8.2%
EUR	48.15	48.93	**-1.6%**	-3.2%	0.9%	7.2%

*annualised

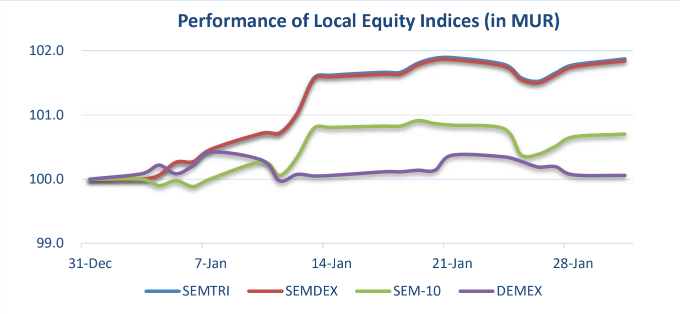
The MUR appreciated against the major foreign currencies during the first month of 2022. It gained 1.6% against the EUR.

1st Floor The Pod | Vivéa Business Park | Moka 81406 | Mauritius
t +230 460 3800 | f +230 434 0643 | aonhewitt.mu
Aon Solutions Ltd | Registered in Mauritius No. 17939 | Business Registration No: C06017939

Local Equity Indices

	Current Value (in MUR)	Last month	Last 3 months	Last 12 months	Last 3 Years*	Last 5 Years*
SEMDEX	2,136.6	1.8%	0.6%	30.4%	-1.2%	2.6%
SEM-10	390.7	0.7%	-0.5%	27.8%	-3.0%	1.7%
DEMEX	305.8	0.1%	0.7%	34.3%	9.0%	8.4%
SEMTRI	8,501.3	1.9%	2.1%	34.4%	1.3%	5.3%
DEMTRI	460.1	0.1%	1.2%	37.1%	11.5%	11.5%
ALEX 20	1,112	1.8%	0.4%	34.2%	-0.7%	3.0%
ALCAPEX 12	1,735.8	2.8%	1.0%	44.6%	3.3%	4.6%
SEMSI	116.2	1.7%	0.5%	29.8%	-1.9%	N/A

*annualised



The local market started the year on a positive note. The major local equity indices moved higher during January 2022.

The SEMDEX and SEMTRI gained 1.8% and 1.9% respectively during the month.

The DEM remained range-bound since the beginning of 2022.

ENL joins the SEMSI

On 03 February 2022, ENL Limited joined the SEM Sustainability Index (SEMSI). ENL added another MUR 8bln to this index, which crossed the MUR 200bln mark.

Launched in September 2015, SEMSI tracks the price-performance of those companies listed on the Official Market or the DEM which demonstrate strong sustainability, good governance and transparent business practices. Including ENL Ltd, the SEMSI consists of 17 listed companies. The 16 other constituents are: Ascencia, CIEL, Compagnie Immobiliere, Grit, IBL, Innodis, Lux Island Resorts, Mauritius Oil Refineries, MCB Group, MUA, Omnicane, RHT Holding, Rogers & Co., SBM Holdings, Sun and Terra Mauricia.

Local Yields & Inflation Rate

Consumer Price Index (Mauritius)

	Current Value	Last month	Last 3 months	Last 12 months	Last 3 Years*
CPI	173.1	1.4%	2.3%	7.4%	3.4%

*annualised

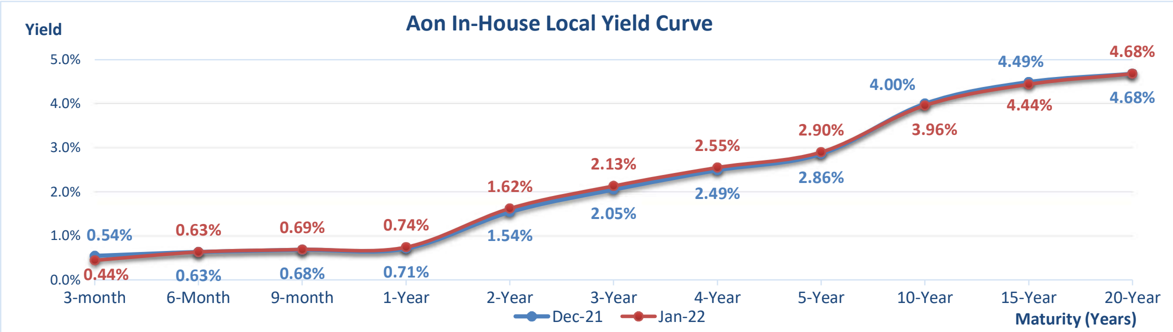
The above figures represent the CPI as at 31 January 2022. Year-on-year inflation worked out to 7.4% in January 2022, compared to 1.0% in January 2021. *(source: Statistics Mauritius)*

Recent Issues by the BoM

Weighted Average	T-Bill Yield
91-Day	0.60%
182-Day	0.69%
364-Day	0.79%

Repo Rate	1.85%
Deposit Rate *	0.40%*

**Weighted Average Deposit Rate of Banks as at December 2021*



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

Local yields remained fairly flat since the start of this year. The yields remain below the actual rate of inflation.
Note that on 03 February, the Bank of Mauritius issued 20-Year Government of Mauritius Bonds at a weighted average yield of 4.61%, lower by 0.07% when compared to end-January yield.

Local Bond Index	Current Value (in MUR)	Last month	Last 3 months	Last 12 months	Last 3 Years*	Last 5 Years*
S&P Mauritius Sovereign Bond Index	165.60	0.4%	1.6%	-3.0%	5.8%	5.2%

*annualised

The S&P Mauritius Sovereign Bond Index tracks the performance of local currency denominated sovereign debt publicly issued by the Government of Mauritius in its domestic market. Over the past month, the index gained 0.4%.

Commodities & Other Investments

	Current Value (in USD)	Last month	Last 3 months	Last 12 months	Last 3 Years*	Last 5 Years*
Gold	1,796.40	**-1.8%**	0.7%	-3.3%	10.7%	8.2%
Oil	91.21	**17.3%**	8.2%	66.1%	13.8%	10.4%
S&P GSCI Index	623.78	**11.2%**	5.3%	44.7%	15.2%	9.5%

*annualised

Although gold is considered a hedge against inflation, the planned interest rate hikes would raise the opportunity cost of holding a non-yielding metal. The gold price fell by 1.8% in January.

OPEC+ decided to stick with the gradual rises in oil production, ignoring pleas from other countries to increase output at a faster pace in order to limit rising energy prices. Meanwhile, demand for oil continued to surge. On 31 January, the oil price finished the month above USD 90 a barrel for the first time since 2014, gaining around 17.3% during January *(source: CNBC).* Moreover, geopolitical tensions continue to raise concerns that the Ukraine crisis could further disrupt energy markets.

Energy and other commodity prices continued their rise during the first month of 2022. The S&P GSCI Index was up by 11.2%.

Alternatives: Foreign Indices	Current Value (USD)	Last month	Last 3 months	Last 12 Months	Last 3 Years*
S&P Global Property	588.22	**-5.0%**	-1.5%	17.7%	6.4%
S&P Listed Private Equity	530.53	**-5.9%**	-6.8%	36.0%	23.4%
S&P Global Infrastructure	6,035.62	**-1.0%**	-0.1%	9.6%	6.8%
Foreign Bond Indices					
S&P Africa Sovereign Bond	983.54	**1.0%**	3.2%	8.4%	10.8%
S&P 500 Bond Index	518.87	**-3.8%**	-3.2%	-2.8%	5.6%
S&P International CBI	139.39	**-3.5%**	-4.9%	-8.9%	2.7%
Bloomberg Global Aggregate Total Return Index	521.52	**-2.0%**	-2.5%	-5.8%	2.4%
Other Indices					
Renaissance IPO Index	509.85	**-19.7%**	-32.2%	-31.5%	19.8%

*annualised

Global government bonds remained under pressure during January, as investors weighed the prospect of central banks tightening monetary policy to slow surging inflation.

The yield on the 10-year US Treasury Bond, which underpins debt costs worldwide, rose to 1.8% as at 31 January (up from 1.5% as at end of last year). Treasury yields have climbed fast this year, as the fixed income securities have fallen in price to reflect forecasts of sustained inflation and higher interest rates.

The Bloomberg Global Aggregate Total Return Index fell by 2%.

Despite the rally towards the end of January, the Renaissance IPO Index finished the month with a -19.7% loss, the worst January in its 13-year history, and the worst month since March 2020. *(source: Renaissance Capital)*

General News

India to introduce a "Digital Rupee"

India's finance minister, Nirmala Sitharaman has said the country will launch a digital version of the rupee this year. In her annual budget speech, she also outlined plans for a 30% tax on income from digital assets. This measure will put profits from trading or transferring cryptocurrencies in the country's highest tax band and will put downward pressure on cryptocurrencies. *(source: BBC)*

Growth in the Euro Economy

The euro economy grew by 5.2% in 2021 with output now back at pre-pandemic levels. French GDP expanded by 7% over the year, the best performance in 52 years. Annual inflation rose to 5.1% in January, another record high due to soaring energy prices. *(source: Fidelity International)*

Cryptocurrencies

Amid growing conviction of rising interest rates, the cryptocurrency market has been hit hard as well. The price of bitcoin fell briefly below USD 33,000 on 24 January from a record of almost USD 69,000 less than three months ago *(source: CNBC).* This largest cryptocurrency was down by 17% during January. The plunge has hit all corners of the crypto ecosystem, from Bitcoin and memecoins to publicly-listed crypto exchanges and miners.

This month's Article

The meltdown of Technology Stocks

Whilst several of the world's major stock market indices have shown some weakness during recent weeks, technology stocks have actually plummeted even further on average since the beginning of 2022. For instance, at 10 February 2022, on a year to date basis, Meta (Facebook), Netflix and Microsoft had lost 32.2%, 32.6% and 10.1% respectively. The NASDAQ 100 Technology index, which includes gigantic names like Apple, Microsoft and Google's owner Alphabet, has shed 10.3% YTD.

The unusually sluggish start to the year for technology stocks came amid **ongoing concerns** about **rising inflation and higher expected interest rates** around the world. **Possible tighter monetary policy** from the US Federal Reserve (Fed) and **spike in bond yields** further led to the plunge in the technology stocks. There are expectations that the Fed will increase interest rates several times during 2022.

Inflation has moreover been greater than initially expected. Higher inflation and interest rates generally have a negative impact on technology stocks. Growth and several technology stocks have also suffered because of the **long duration of their earnings**. Valuation of the technology stocks is based on their future earnings profile. The present value of the stocks tends to fall further and much faster than the broader market when investors lower their growth expectations or discount future earnings at a higher interest rate, which is currently being triggered by the rise in the government bond yields.

Negative market sentiment on growth stocks resumed after the steep fall of around 20% in the Netflix share price on 21st January, post its Q4 earnings release. This actually marked Netflix's worst day since July 2012. This then contributed to a major sell-off for the technology sector. Despite the subsequent pick up following the big sell-off in January, investors' renewed optimism in technology stocks again took a downturn in the wake of Meta's earnings miss and drop in number of Facebook users announced on 3rd February. Meta Platforms (FB) share price lost 25% on that day (its biggest one-day drop ever), erasing over USD230bln in market value. For the first time in history, Facebook had registered a decrease in the number of its daily users due to the slower business on its core platform, as reported by Meta.

Investors should be prepared to see volatility in technology stock prices this year and there could be buying opportunities for time to time. The earnings releases of the technology giants are hence likely to be followed closely. Whether the plunge in technology stocks will continue or not is however anybody's guess.

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