

## June 2021

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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 Jan to 30 June)

### Foreign Equity Indices

	Current Value (in USD)	Last month	Year-to-Date	Last 12 months	Last 3 Years*	Last 5 Years*
MSCI EM (Emerging markets)	670.6	0.2%	7.4%	40.9%	11.3%	13.0%
MSCI The World Index	9,053.3	1.5%	13.0%	39.0%	15.0%	14.8%
MSCI All Country World Index	368.6	1.3%	12.3%	39.3%	14.7%	14.6%
MSCI EFM Markets Africa	1,209.4	-7.2%	9.9%	38.3%	1.3%	4.1%
S&P 500	4,297.5	2.2%	14.4%	38.6%	16.5%	15.4%
S&P 500 ESG Index	467.3	2.8%	15.9%	40.7%	20.1%	18.3%

\*annualised

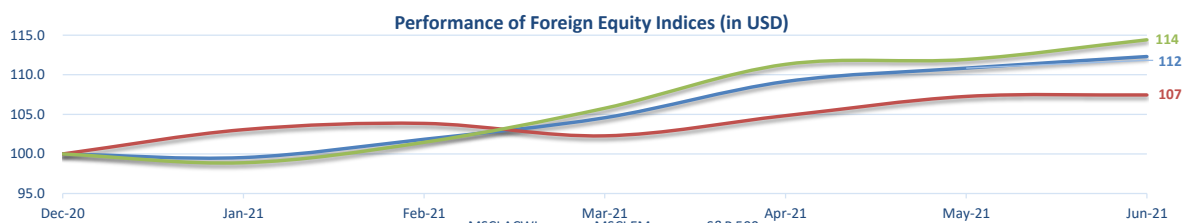
  

EuroStoxx 50 (in EUR)	4,064.3	0.6%	14.4%	25.7%	6.2%	7.2%
FTSE 100 (in GBP)	7,037.5	0.2%	8.9%	14.1%	-2.7%	1.6%

Halfway through 2021, foreign equity markets continued on a positive note. The MSCI All Country World Index and the MSCI World Index rose by 1.3% and 1.5%, respectively during the month under review. The MSCI Emerging Markets recorded modest returns of 0.2% during June. The MSCI Emerging and Frontier Markets Africa Index, however, fell by 7.2%.

The US economy added 850,000 jobs in June, beating expected figures and strongly signalling that the world's largest economy is emerging from the pandemic at a robust pace. The broad S&P 500 Index went up for a fifth straight month and gained 2.2% in June. The tech-heavy Nasdaq Composite Index was also up by 5.5%. The latter's stronger advance reflected the continued shift by investors back into growth and tech stocks, which had lagged earlier this year. (source: Financial Times)

Year-to-date, the S&P 500 ESG Index recorded the highest return of nearly 16% (in USD terms). The MSCI All Country World achieved a return of 12.3% during the same period.



European stock markets climbed higher in June as investors anticipated the continent's economic recovery. Euro zone manufacturing activity grew at its fastest pace on record in June, according to IHS Markit's final manufacturing PMI (source: CNBC). The EuroStoxx 50 Index gained 0.6% (in EUR terms) in June.

On 24th June, the Bank of England unanimously kept its base rate unchanged at 0.1% amid fears of rising inflation. Rates have been unchanged at a record low since March 2020, when they were reduced to help contain the economic shock of Covid-19. The Monetary Policy Committee also upgraded both UK inflation and growth forecasts. Policymakers expect inflation to rise above 3% for a temporary period, and Q2 economic growth is expected to be 1.5% higher than initially anticipated (source: BBC). Amid concerns that the recent jump in Covid-19 infections could hinder the pace of economic growth, the FTSE 100 made modest gains of 0.2% (in GBP terms) during the month. Nevertheless, this marked the fifth straight monthly gain for the blue-chip index. (source: Reuters)

130 countries (representing 90% of global GDP) agreed to a global minimum corporate tax rate of at least 15% at the Paris-based Organisation for Economic Co-operation and Development (OECD) meeting in June. The global minimum corporate income tax could yield around USD 150bn in additional global tax revenues annually. The deal is expected to be finalise by October and will take effect in 2023. (source: Reuters)

### Currencies

In MUR	Current Value (MUR)	Past Month	Last month	Year-to-Date	Last 12 Months	Last 3 months
GBP	58.74	57.24	2.6%	10.0%	19.4%	9.0%
USD	42.60	40.52	5.1%	8.1%	6.0%	7.0%
EUR	50.48	49.19	2.6%	4.7%	12.4%	7.8%

\*annualised

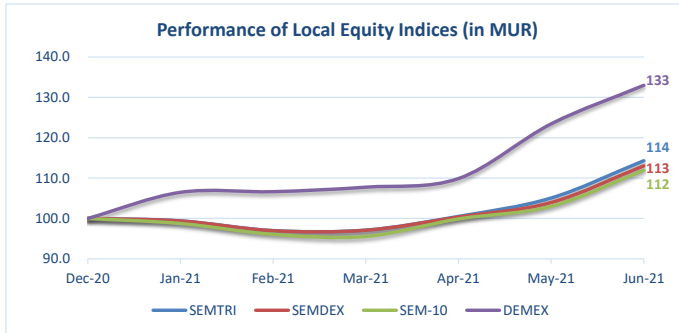
All the three currencies appreciated relative to the local currency during June and year-to-date.

On Monday 28th June, the Bank of Mauritius intervened on the domestic foreign exchange market and sold a total amount of USD 25m at the rate of MUR 42.50 per USD. Note that the mid-rate on 25th June stood at MUR 41.07 per USD (source: Bank of Mauritius). During the month, the US Dollar gained 5.1% against the local currency.

The Pound and the Euro each rose by 2.6% relative to the MUR. Over the first half of 2021, the Pound saw the biggest appreciation of 10% against the MUR, followed by the dollar which strengthened by 8.1%.

**Local Equity Indices**

	Current Value (in MUR)	Last month	Year-to-Date	Last 12 months	Last 3 Years*	Last 5 Years* <i>*annualised</i>
SEMDEX	1,863.2	8.7%	13.0%	12.1%	-6.0%	1.2%
SEM-10	346.7	8.7%	11.9%	10.5%	-7.0%	0.6%
DEMEX	284.4	7.7%	33.0%	37.5%	5.9%	8.0%
SEMTRI	7,274.5	8.8%	14.3%	13.8%	-3.6%	4.0%
DEMTRI	422.7	8.3%	34.2%	40.3%	8.7%	11.1%
ALEX 20	971.1	11.1%	16.8%	17.4%	-5.6%	2.1%
ALCAPEX 12	1,479.7	12.3%	22.9%	23.4%	-2.4%	3.1%
SEMSI	100.8	9.4%	11.0%	10.2%	-6.7%	N/A



June was a strong month for the local equity markets. Investors got more visibility on the re-opening of the Mauritian borders. Moreover, there was also a feel-good factor stemming from various measures announced in the Budget speech. **All the local equity indices ended the month in the green.**

The SEMDEX and SEMTRI gained 8.7% and 8.8% in June. The SEM-10 was also up by 8.7%. Year-to-date, SEMDEX, SEMTRI and SEM-10 returned 13.0%, 14.3% and 11.9%, respectively.

As end-June, the Price Earnings Ratio of the Official Market amounted to 12.9 times while the Dividend Yield stood at around 2.1%. (source: Stock Exchange of Mauritius)

Year-to-date, the DEM markets did exceptionally well. The DEMTRI registered the highest gain of 34.2% since the beginning of 2021!

Read more about the recent rally of the local equity market in this month's article on Page 4.

Foreign investors remained net sellers (MUR 216mln) in June. During the first half of the year, net sales by foreigners amounted to around MUR 724mln.

**Local Yields & Inflation Rate**

**Consumer Price Index (Mauritius)**

	Current Value	Last month	Year-to-Date	Last 12 months	Last 3 Years* <i>*annualised</i>
CPI	167.9	1.5%	5.0%	5.9%	2.7%

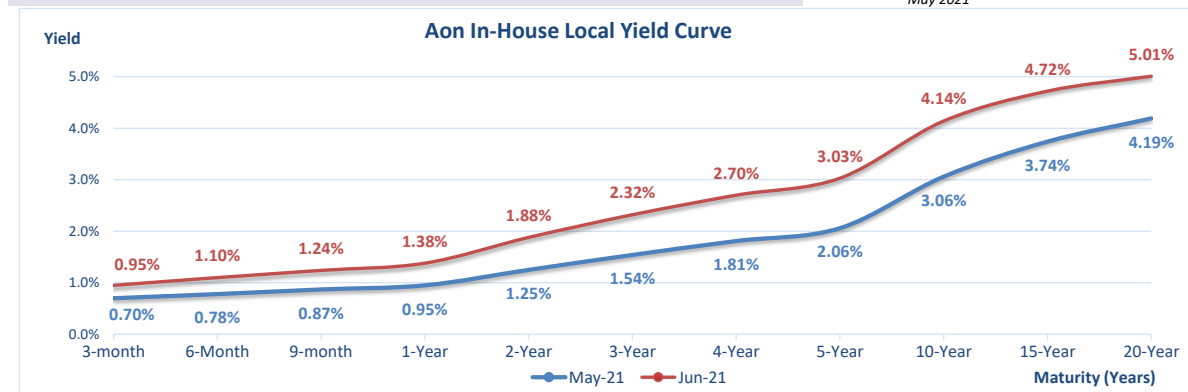
The above figures represent the CPI as at 30th June 2021. Year-on-year inflation worked out to 5.9% in June 2021, compared to 1.7% in June 2020. (source: Statistics Mauritius)

**Recent Issues by the BoM**

Weighted Average	T-Bill Yield
91-Day	1.13%
182-Day	1.21%
364-Day	1.51%

Repo Rate	1.85%
Deposit Rate *	0.42%*

\*Weighted Average Deposit Rate of Banks as at May 2021



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

The local yields continued their upward trend during June. Yields on Treasury instruments rose across all maturities. We also note a steepening of the local yield curve with the yield on the 15-Year Treasury Bond, up by nearly 1% compared to the previous month. **Real yields (adjusted for inflation rate) however, were negative across all maturities!**

## Commodities & Other Investments

	Current Value (in USD)	Last month	Year-to-Date	Last 12 months	Last 3 Years*	Last 5 Years* <i>*annualised</i>
Gold	1,771.60	-7.3%	-6.5%	-1.6%	12.3%	6.1%
Oil	75.13	8.4%	45.0%	82.6%	-1.8%	8.6%
S&P GSCI Index	535.98	3.2%	30.9%	64.7%	3.2%	7.5%

The oil price rose to their highest level in three years, touching USD 76 a barrel on 25th June as the OPEC+ group failed to reach an agreement on raising crude oil production. The oil price was up by 8.4% in June. Year-to-date, it rose by 45%!

Gold price fell by 7.3% during June. This was the biggest monthly drop in more than four years on the back of gains in the US dollar. Positive US job reports further put pressure on the yellow metal as investors became more positive about a quicker economic rebound. Year-to-date, gold price lost 6.5%.

The S&P GSCI Index rose by 3.2% in June. Year-to-date, the commodity index gained around 31%, its best first-half performance since 2008. (source: Market Watch). Prices for commodities ranging from corn to copper to oil soared in the first half of 2021 on a combination of pent-up demand and supply bottlenecks resulting from the COVID-19 pandemic.

Alternatives: Foreign Indices	Current Value (USD)	Last month	Year-to-Date	Last 12 Months	Last 3 Years*
S&P Global Property	575.06	0.8%	13.9%	31.8%	6.8%
S&P Listed Private Equity	496.07	0.3%	26.0%	59.3%	19.6%
S&P Global Infrastructure	5,743.96	-1.7%	5.4%	19.3%	5.6%

### Foreign Bond Indices

S&P Africa Sovereign Bond	932.80	1.3%	2.6%	10.5%	11.0%
S&P 500 Bond Index	534.75	1.8%	-1.0%	3.6%	7.8%
S&P International CBI	149.77	-2.3%	-3.0%	10.5%	5.4%
Bloomberg Barclays Global Aggregate Bond Index	540.81	-0.9%	-3.2%	2.6%	4.2%

### Other Indices

Renaissance IPO Index	726.06	7.8%	3.1%	65.4%	31.2%
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US yields have surprised many by sliding in the second quarter of the year. That marks a reversal from the sharp rise of the year's first three months, when markets were optimistic about increasing stimulus and reopening of economies. Yield on the 10-Year Treasury Bond stood at 1.47% as at end-June, compared to 1.58% as at end-May.

The Renaissance IPO Index, which tracks companies for two years after they go public, rose by 7.8% in June, outperforming the S&P 500 which returned 2.2%. According to data from Renaissance Capital, 115 traditional IPOs, collecting USD 40.7bln, were completed during the second quarter of 2021. This was the biggest amount raised by new issues since the fourth quarter of 1999.

## General News

### **Robinhood has been ordered to pay the largest penalty ever imposed by Wall Street's regulator.**

Robinhood Markets is an American financial services company, known for offering commission-free trades of stocks and exchange-traded funds via a mobile application. The company was accused of harming millions of customers through false and misleading information. The regulator fined Robinhood USD 57mln and ordered the startup to pay about USD 12.6mln in restitution, plus interest, to harmed customers. (source: CNN Business)

### **The world's top pension fund posted a historic gain of USD 339bln**

For the fiscal year ended March 2021, the biggest pension fund, Japan's Government Pension Investment Fund posted a record return of 25% on investments. This has boosted its assets to a new high and beating its benchmark for the first time in seven years. The return also marked a record high since the fund started managing the nation's pension reserves in 2001. Overseas stocks were its best-performing asset in the period, returning 59.4%, followed by a 41.6% return in domestic stocks. Overseas debt gained 7.1%, while Japanese debt lost 0.7%. (source: Bloomberg)

### **Binance, the world's biggest cryptocurrency exchange, has been issued a warning by the UK's financial regulator.**

The UK's Financial Control Authority (FCA) banned Binance, one of the world's largest cryptocurrency exchanges, from operating in Britain. The FCA move comes amid pushback from regulators around the world against cryptocurrency platforms.

### **US home prices grew at the fastest pace in 30 years in April**

US home price growth accelerated in April at the fastest pace in more than three decades as strong housing demand continued to come up against a shortage of residential properties. The S&P Case-Shiller national home price index, which covers all nine US census divisions, rose 14.6% year-on-year in April. (source: Financial Times)

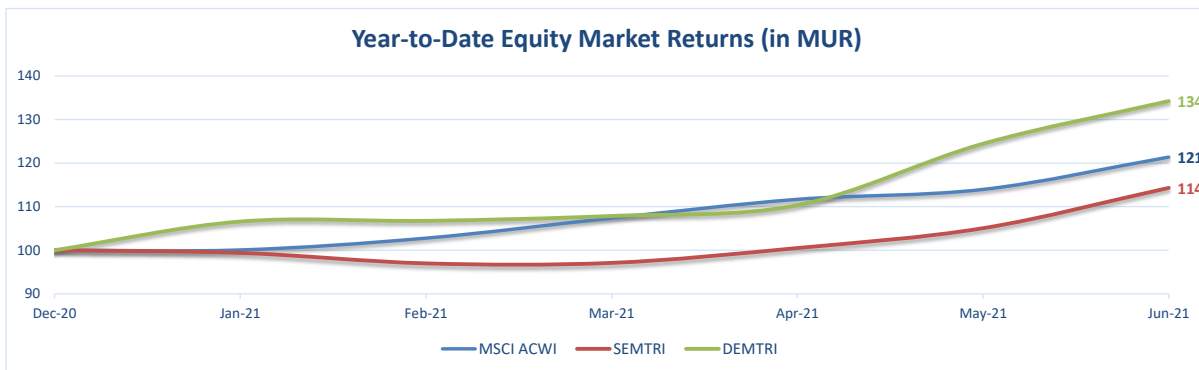
### **This month's Article**

## The Resurgence of the Local Equity Market Indices

The announcement of a second lockdown on 10th March 2021 initially dented the prospects of a swift economic recovery for Mauritius. The lockdown news negatively impacted the local equity market with the SEMDEX shedding around 2% on 15th March. The Mauritian Rupee (MUR) was not spared and depreciated further thereafter. During the lockdown period (10th March to 30th April), the MUR lost around 1% and 3% relative to the US Dollar and the Euro, respectively.

We are currently witnessing an important pick up in the local stock market (as demonstrated below by the SEMTRI and the DEMTRI indices).

The above chart shows the theoretical value of a MUR 100 investment in the MSCI ACWI, SEMTRI and DEMTRI at the start of the year. **Over the last 6 months (to 30th June 2021), DEMTRI has delivered the highest returns among the trio.**

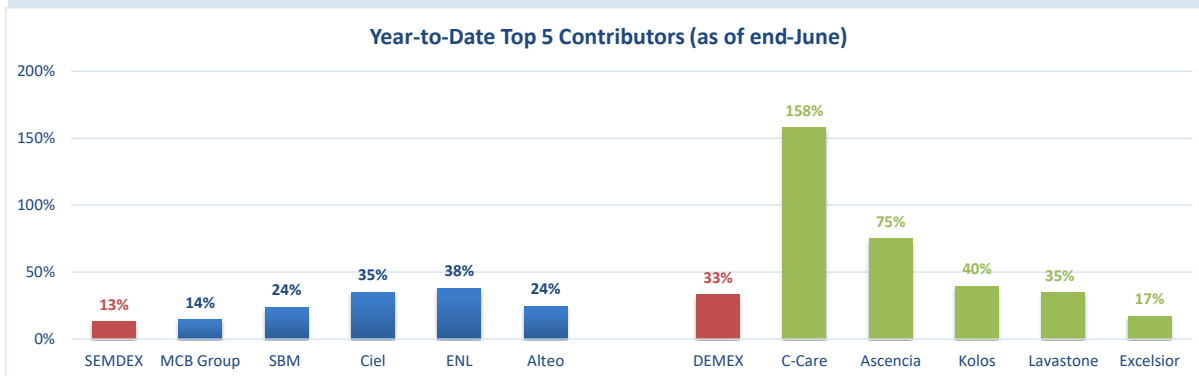


The Foreign Equity Market (represented by MSCI All Country World Index) has returned 12% in USD terms over the same period. However, the US Dollar appreciated by 8% against the Mauritian Rupee. This further boosted the returns of the MSCI index in MUR terms generating a performance of 22% over the last 6 months.

On the other hand, the SEMDEX which captures the price evolution of all the ordinary shares listed on the Official Market rallied by 13% over the first half of 2021. The SEMTRI, which tracks the total return (both evolution price and dividends) of the main local exchange, was up by 14%, over the period. *Note that as 8th July, the local equity indices have further risen and the YTD returns for the SEMDEX and SEMTRI were 17.9% and 19.3% respectively.*

As can be seen, the DEM indices performed very well and recorded the biggest year-to-date gain of 33%. This exceptional performance was however driven by a handful of stocks (refer to the next chart). **C-Care (making up around 10% of the DEMEX) rose by 158% over the first half of 2021!**

The chart below shows the top 5 contributors to the year-to-date return of the Official Market and the DEM markets.



This recent rally in the local equity indices is mainly attributable to four factors:

- 1. Announcements in the recent Budget Speech**, with the flagship one being the reopening of borders (first phase being scheduled on July 15th). There were also other measures announced to help kickstart the economy. We note that that economic growth is forecasted to be around 9% for the financial year 2021/2022.
- 2. Progress in the number of Covid-19 vaccinations locally.** This has further boosted investors' confidence in the local equity market. Recall that stock prices are generally forward looking.
- 3. Resumption in dividend payments** by several large companies. This has been well received by investors. Recall the '*Dividend Signalling Theory*' in finance which suggests that a company's announcement of an increase in dividend payments is an indication of better prospects.
- 4. Higher optimism among investors** who may now be looking for bargain opportunities following the sharp fall in local equity prices after the first lockdown in 2020.

As can be seen, investors are more positive today given the factors highlighted above. However, it should be highlighted that public debt still remains high. As at the end of the first quarter of 2021, public sector debt stood at 91.3% of GDP. Investors moreover need to factor in the impact of the recent sharp depreciation of the Mauritian Rupee as well as higher expected inflation in the coming months. Profit margins of several listed companies could be adversely affected by the weaker rupee. We moreover continue to have new Covid-19 cases and another lockdown will not be good for the local stock market.

Bearing the above in mind, investors are recommended to hold a diversified portfolio of shares, have a medium to long term horizon when investing and to also seek professional advice whenever necessary.

**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, Axy's Stockbrokers, MSCI, Bloomberg, Investing, etc.