

June 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 30 June)

Foreign Equity Indices

	Current Value (in USD)	Last month	Year-to-Date	Last 12 months	Last 3 Years*	Last 5 Years* ^{*annualised}
MSCI EM (Emerging Markets)	501.1	-6.6%	-17.6%	-25.3%	0.6%	2.2%
MSCI World Index	7,755.2	-8.7%	-20.5%	-14.3%	7.0%	7.7%
MSCI All Country World Index	310.5	-8.4%	-20.2%	-15.7%	6.2%	7.0%
MSCI EFM Africa	1,046.1	-12.1%	-8.8%	-13.5%	-3.0%	-0.9%
MSCI ACWI ESG Leaders Index	2,128.1	-7.8%	-20.8%	-15.3%	6.8%	7.4%
S&P 500	3,785.4	-8.4%	-20.6%	-11.9%	8.8%	9.3%
S&P 500 ESG Index	428.2	-8.0%	-19.4%	-8.4%	12.6%	12.7%

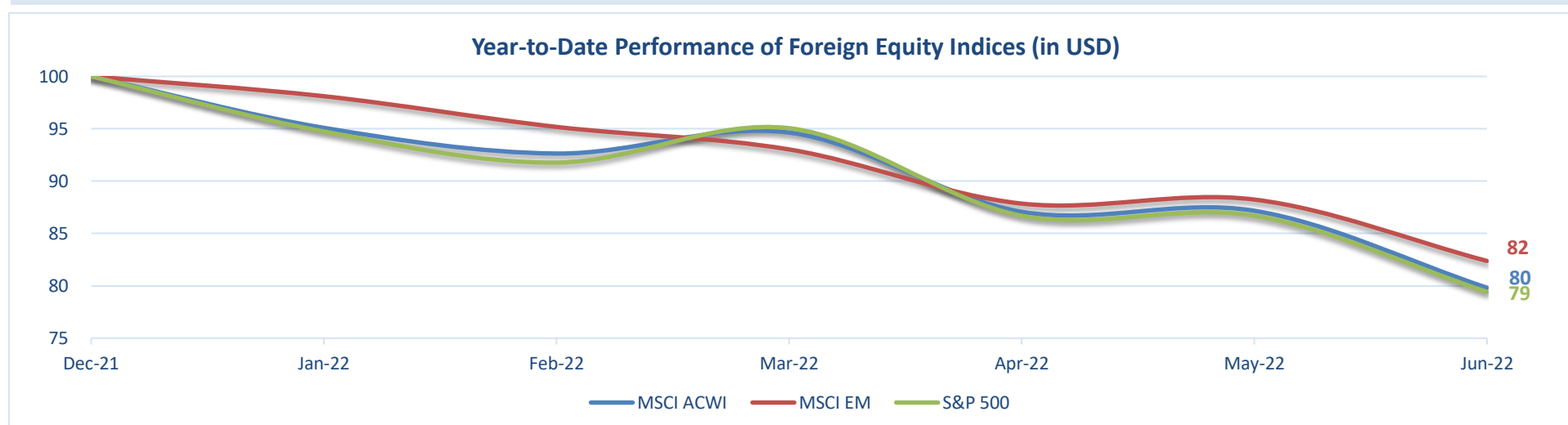
EuroStoxx 50 (in EUR)	3,454.9	-8.8%	-19.6%	-15.0%	-0.2%	0.1%
FTSE 100 (in GBP)	7,169.3	-5.8%	-2.9%	1.9%	-1.2%	-0.4%

Foreign Equity markets recorded their worst first six months to a year in decades. Soaring inflation and aggressive monetary policy by central banks fueled fears of slowing economic growth. The macroeconomic outlook thus remained uncertain as the war in Ukraine and inflationary pressures persisted. All the major foreign equity indices were down in June and on a year-to-date basis. Over the first 6 months of 2022, the MSCI All Country World Index and the MSCI Emerging Markets Index shed 20.2% and 17.6%, respectively.

The US benchmark index, the S&P 500 plunged by nearly 21% and thus entering the bear market territory. This marked its largest first-half decline since 1970, losing more than USD 9 trillion in market capitalisation. The tech-heavy Nasdaq Composite and Dow Jones also fell sharply by 30% and 15%, respectively.

With the Eurozone inflation at record highs, the EuroStoxx 50 was also on a downward trend. The index lost 19.6% since the start of the year, with all sectors in the negative territory (source: CNBC).

The FTSE 100, on the other hand, dropped by 2.9% year-to-date. Its exposure to commodity-linked firms and global companies helped it outperform its global peers this year. (source: Reuters)



Currencies

In MUR	Current Value (MUR)	Past Month	Last month	Last 3 Months	Last 12 Months	Last 3 Years ^{*annualised}
GBP	54.82	54.62	0.4%	-6.0%	-6.7%	6.7%
USD	45.33	43.45	4.3%	4.3%	6.4%	8.3%
EUR	47.25	46.58	1.5%	-3.4%	-6.4%	5.5%

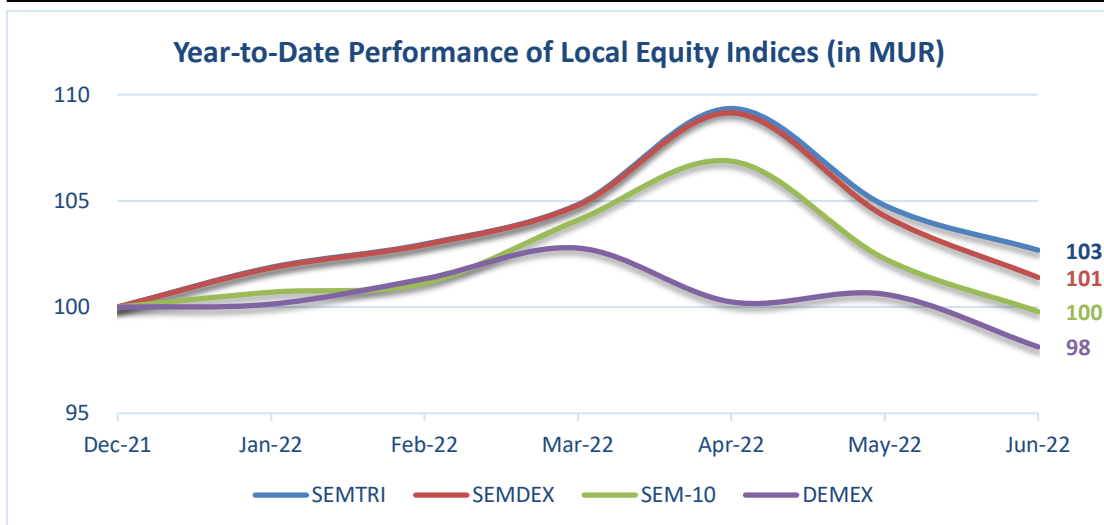
The Pound, the US Dollar and the Euro all appreciated relative to the local currency over the month of June. The US Dollar saw the biggest appreciation of 4.3% in June.

For the first half of 2022, the US Dollar gained 4.3% against the MUR. On the other hand, the Pound and the EUR lost more than 6% against the Rupee over the same period.

Amid fears of a recession and the Russia-Ukraine conflict, the Euro has been on a constant decline to new lows and potential parity with the US Dollar. (source: CNBC)

Local Equity Indices

	Current Value (in MUR)	Last month	Year-to-Date	Last 12 months	Last 3 Years*	Last 5 Years*
SEMDEX	2,127.1	-2.8%	1.4%	14.2%	0.0%	0.0%
SEM-10	387.2	-2.4%	-0.2%	11.7%	-2.5%	-1.3%
DEMEX	295.9	-3.1%	-3.2%	4.1%	9.0%	6.8%
SEMTRI	8,568.6	-2.0%	2.7%	17.8%	2.6%	2.8%
DEMTRI	450.8	-2.5%	-1.9%	6.7%	11.6%	9.8%
SEMSI	113.7	-3.0%	-0.5%	12.7%	-2.2%	-1.3%



In the backdrop of rising inflation and economic uncertainty, the Official Market lost ground over June. **All the major Local Equity indices ended the quarter in the red.**

The SEMDEX and the SEMTRI shed 2.8% and 2.0% during the month under review.

The DEM was also faced with the same fate, with the DEMEX losing 3.1%.

Nevertheless, over the first half of 2022, the local equity market fared rather well. Year-to-date, the SEMDEX and SEMTRI were still in the green territory as at 30 June.

As at end-June, the Price Earnings Ratio and the Dividend Yield of the Official Market stood at 12.7x and 3.4% respectively.

Rebalancing of the SEM-10 Index

The new constituents of the SEM-10 Index are Afreximbank and Lux Island Resorts Ltd, replacing Grit and MUA in the list for the quarter starting 06 July 2022.

Local Yields & Inflation Rate

Consumer Price Index (Mauritius)

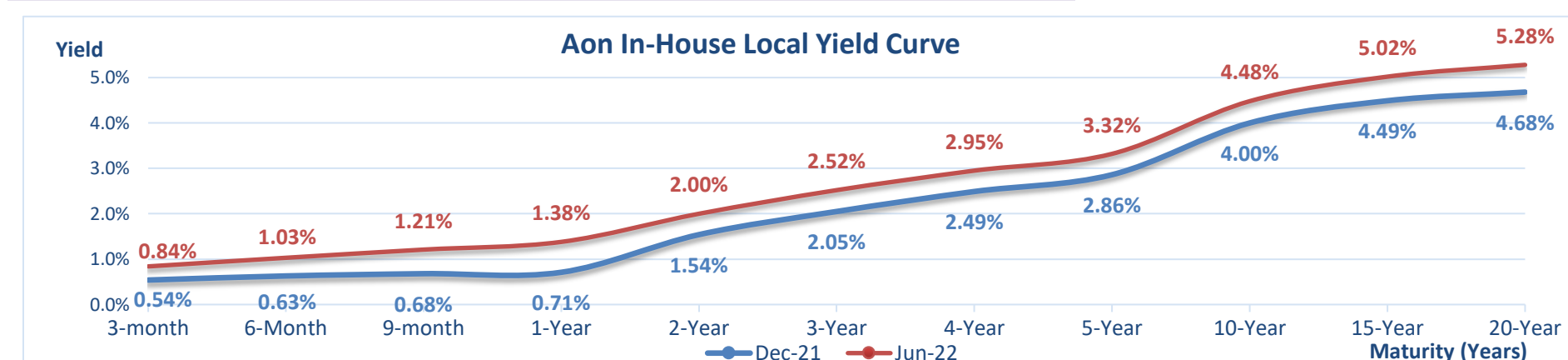
	Current Value	Last month	Year-to-Date	Last 12 months	Last 3 Years*
Inflation Rate	184.0	0.4%	7.8%	9.6%	5.7%

The above figures represent the CPI as at end-June 2022. Year-on-year inflation stood at 9.6% in June 2022, compared to 5.9% in June 2021. Headline inflation, calculated as the annual average over the 12-months ending June 2022 worked out to 8.0%. (source: Statistics Mauritius)

Recent Issues by the BoM

Weighted Average	T-Bill Yield
91-Day	1.00%
182-Day	1.08%
364-Day	1.28%
Repo Rate	2.25%
Deposit Rate *	0.50%

*Weighted Average Deposit Rate of Banks as at May 2022



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

Local yields across all maturities moved higher during the month. As at end-June 2022, the yield on the 10-Year Government of Mauritius stood at 4.48%, up by 0.48% since the start of the year.

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	163.67	-0.5%	-0.7%	2.5%	4.1%	4.5%

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 last month, the index lost 0.5%. We also note a fall in this index over the past 6 months.

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	1,807.3	-2.2%	-1.6%	2.0%	8.6%	7.8%
Oil	109.0	-5.7%	40.2%	45.1%	17.9%	17.9%
S&P GSCI Index	3,768.0	-7.6%	35.8%	45.0%	14.7%	11.7%

Gold price fell further by 2.2% in June, bringing the year-to-date losses to around 1.6%. A combination of rising yields and a stronger US dollar played their part in the poor performance of the yellow metal.

Oil prices posted its first monthly decline since November 2021 as fears about global economic recession and subsequent fall in global demand intensified. The oil price dropped by 5.7% in June. However, year-to-date, it was up by 40.2%.

Commodities have performed well so far this year, supported by the strength in oil on the back of tight supplies. Over first half of 2022, the commodity index, the S&P GSCI Index gained 35.8%. However, in June, worries that the economy might be headed for a recession detracted their performance.

Alternatives: Foreign Indices	Current Value (USD)	Last month	Year-to-Date	Last 12 Months	Last 3 Years* <i>*annualised</i>
S&P Global Property	499.5	-8.1%	-19.3%	-13.1%	-0.6%
S&P Listed Private Equity	403.5	-12.7%	-28.5%	-18.7%	7.4%
S&P Global Infrastructure	6,065.6	-7.7%	-0.5%	2.1%	3.5%
Foreign Bond Indices					
S&P Africa Sovereign Bond	989.7	-0.7%	1.7%	6.1%	9.1%
S&P 500 Bond Index	462.5	-2.9%	-14.3%	-13.5%	-0.6%
S&P International CBI	115.7	-5.8%	-19.9%	-22.8%	-4.5%
Bloomberg Global Aggregate Total Return Index	458.3	-3.2%	-13.9%	-15.2%	-3.2%
Other Indices					
Renaissance IPO Index	331.5	-3.0%	-47.8%	-54.3%	-1.1%

The US 10-Year Yield moved higher and stood at 3.02% as at end-June 2022 (up from 1.51% as at end-December 2021).

Towards the end of June, US Treasury yields however fell slightly as recession fears and disappointing economic data left investors looking for safety.

Yields and debt prices tend to move in the opposite direction.

The Bloomberg Global Aggregate Total Return Index fell by 3.2% in June. Over the first half of the year, the index was down by 13.9%.

The Renaissance IPO Index (basket of newly public companies) was down 47.8% year-to-date. In comparison, the S&P 500 was down by 20.6%.

General News

UK Prime Minister Boris Johnson Resigns

On 07 July, the UK Prime Minister, Boris Johnson resigned as leader of the Conservative party after more than 50 members of Parliament resigned from his government within 48 hours. He will however remain in place until a new leader is selected by the Conservative Party.

Higher interest rates in the US

On 15 June, the US Federal Reserve raised its main interest rate by 0.75%, to a target range of 1.5% to 1.75%, the biggest increase since 1994. This represented the third increase in as many meetings.

Crypto volatility

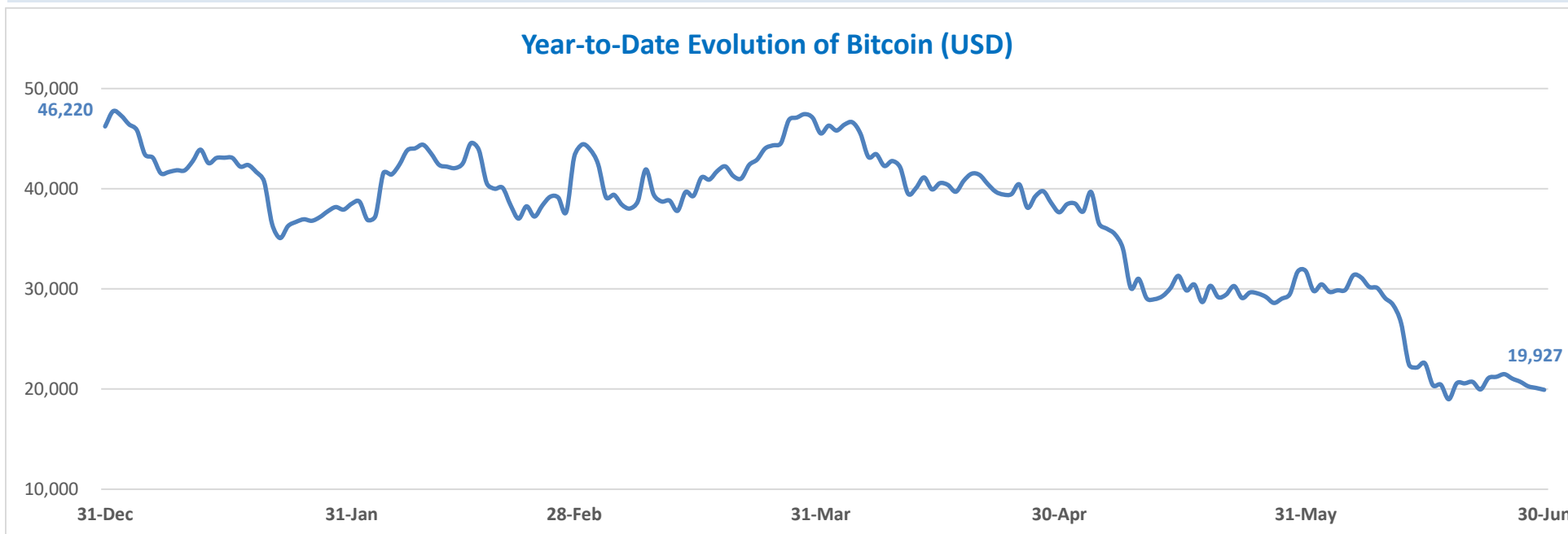
Cryptocurrency markets were highly volatile during the month under review due to concerns about the infrastructure supporting digital assets. Bitcoin lost more than 20% within a few days. Note as well that the value of the overall crypto market has dropped from a high of USD 3.2trn in November 2021 to less than USD 1trn. *Read more about the recent collapse in cryptocurrencies in this month's article.*

This month's Analysis

The Crypto Meltdown

Cryptocurrencies have come under intense pressure amid rampant inflation and rising interest rates. Markets are witnessing huge sell-off in risk assets including digital coins. Cryptocurrencies are no stranger to crashes. They are volatile and fragile by nature.

The largest and most popular, Bitcoin, for instance peaked to new highs of just under USD 70,000 in November 2021. However, its price soon began to drop sharply. After a relatively calm first three months of 2022, which saw Bitcoin fall by just 1.46%, the drop increased in severity in May 2022. The below chart shows the evolution of Bitcoin since the start of 2022.



To the dismay of the market, Bitcoin fell below USD 20,000 by the end of June 2022, triggering huge financial losses. In June itself, Bitcoin was down by more than 37%, marking its biggest monthly drop ever since 2010 when it became available on exchanges. Over the first six months of 2022, it was down 58%, its worst first half of year. Other cryptos also suffered a similar dip. As at end-June, USD 1.33 trillion was wiped out (decline of 60% since start of 2022) in terms of the global crypto market capitalisation, with almost every top crypto token in the red.

The latest market meltdown happened amid a cascade of dramatic events, such as the collapse of so-called stable coin, Terra Ecosystem in May and the liquidity crisis faced by some crypto lending firms and hedge funds (Celsius and Three Arrows Capital). The crash in prices has brought about several issues with cryptocurrency companies and projects, particularly those in the lending space and firms that are highly leveraged. As the cumulative market capitalisation of all cryptocurrencies slipped below USD 1 trillion in June, many established firms also announced they were reducing their headcount and/or shrinking operations.

Moreover, cryptocurrencies are usually affected by the smallest events. For instance, their prices are hugely dependent on the activities of crypto whales (individuals or groups with huge crypto holdings). Additionally, global crises can also cause big waves in the crypto industry. Steep interest rate hikes and fears of global economic slowdown also contributed to the massive crypto sell-off. Consequently, retail crypto transactions were also in decline. Shares of cryptocurrency exchange Coinbase Global (COIN) dropped sharply as the company's poor financials damaged investors' sentiment about the stock.

The correlation between stocks and cryptos has risen significantly since 2020. There seems to be a growing interconnectedness between virtual assets and the stock markets. Crypto prices tend to move in a similar way as stock prices.

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.