

March 2023

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Note: The charts below show the performance of local and foreign equity indices on a time-series basis over the past 12 months.

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)	505	3.0%	4.0%	-10.7%	7.8%	-0.9%
MSCI World Index	8,603	3.1%	7.7%	-7.0%	16.4%	8.0%
MSCI All Country World Index	341	3.1%	7.3%	-7.4%	15.4%	6.9%
MSCI EFM Africa	1,070	2.5%	-0.8%	-20.2%	15.2%	-4.0%
MSCI ACWI ESG Leaders Index	2,320	3.5%	7.8%	-7.8%	14.8%	7.2%
S&P 500	4,109	3.5%	7.0%	-9.3%	16.7%	9.2%
S&P 500 ESG Index	473	4.4%	8.1%	-7.4%	19.9%	12.7%
EuroStoxx 50 (in EUR)	4,315	1.8%	13.7%	10.6%	15.7%	5.1%
FTSE 100 (in GBP)	7,632	-3.1%	2.4%	1.5%	10.4%	1.6%

*annualised

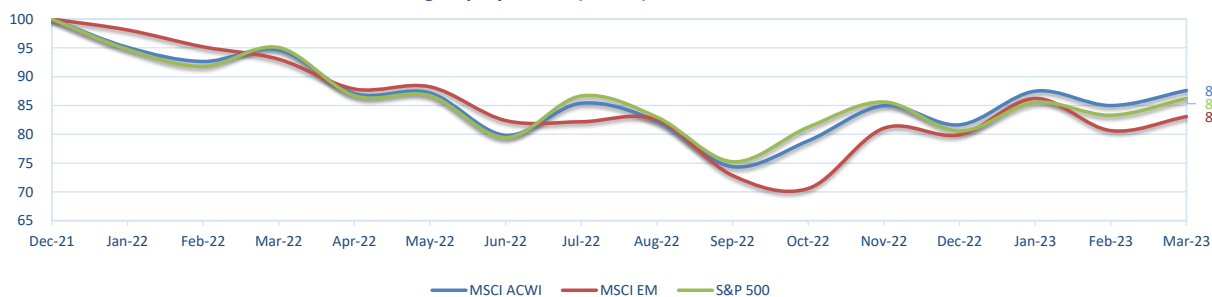
Despite the uncertainty radiating from the banking sector, most of the major stock market indices ended the month in the green. The collapse of the Silicon Valley Bank (SVB) sent global markets into a minor panic. SVB is the largest U.S. bank failure since the collapse of Washington Mutual in 2008 (source: Forbes). After two weeks of relative market chaos, coordinated efforts by regulators and the big banks to backstop the industry calmed the markets. Fears of a domino effect of failing banks did not happen, making investors optimistic that the worst of the March mini-crisis seems to be over. Over the month under review, the MSCI All Country World Index gained 3.1% in USD terms and the MSCI Emerging Markets Index was up by 3.0%.

The Fed raised its benchmark interest rate by 0.25% to a target range of 4.75% to 5.00% on 22 March 2023. Following the conclusion of the Fed meeting, Chair Jerome Powell also reassured investors that the “banking system is safe” and deposit flows had “stabilized over the last week” (source: CNBC).

The Nasdaq-100 and Nasdaq Composite led the majors with a total return of 9.5% and 6.8% in USD terms respectively in March. For the first quarter of 2023, the Nasdaq-100 gained 20.8% marking its best first quarter since 2012. The S&P 500 and Dow Jones Industrials also finished the month with strong monthly gains of 3.5% and 2.1%, respectively. Seven of the eleven S&P 500 large-cap sectors were in the green, led by Technology (+10.9%) and Communications (10.4%). Moreover, the S&P Large Cap Growth Index was up by 6.8% compared to the S&P Large Cap Value which was down by 0.5% over the month (source: Nasdaq). The outperformance of growth stocks persisted over the first quarter of the year.

The FTSE 100 Index lost 3.1% over the month. The UK index underperformed the rest of Europe due to weakness in its banking sector (source: CMC markets).

Performance of Foreign Equity Indices (in USD)



Currencies

In MUR	Current Value (MUR)	Past Month	Last month	Year-to-Date	Last 12 Months	Last 3 Years*
GBP	56.24	55.73	0.9%	6.7%	-3.1%	5.2%
USD	45.54	46.42	-1.9%	3.7%	2.5%	5.0%
EUR	49.44	48.94	1.0%	6.1%	0.1%	4.7%
USD/EUR	1.08	1.06	2.5%	1.3%	-2.0%	4.9%

*annualised

The Pound and the Euro appreciated by 0.9% and 1.0%, respectively relative to the Mauritian Rupee in March 2023.

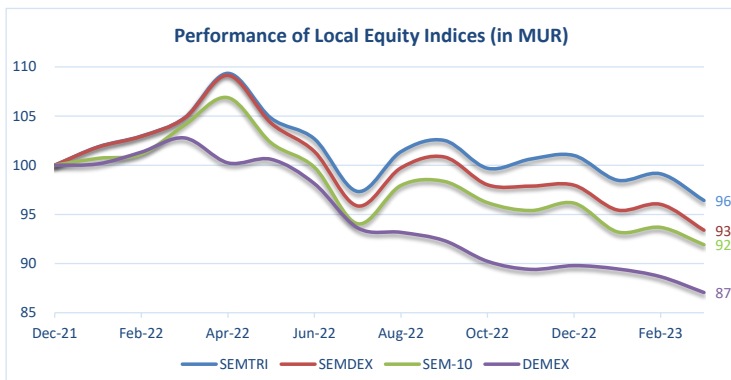
On the other hand, the US Dollar weakened by 1.9% against the local currency during the month. It depreciated against most major currencies, following the failure of two regional U.S. banks in March, pushing the greenback to retreat and give back nearly all of its previous month's gains (source: Reuters). Nevertheless, over the first three months of the year, the USD gained 3.7% against the Rupee.

Over the quarter, the British Pound registered the biggest appreciation of 6.7%, followed by the Euro which rose by 6.1% relative to the MUR.

The Euro appreciated by 2.5% relative to the greenback over the month.

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	1,959.3	-2.7%	-4.7%	-10.9%	7.6%	-3.1%
SEM-10	356.6	-1.9%	-4.4%	-11.7%	6.2%	-3.9%
DEMEX	257.1	-1.8%	-3.6%	-17.9%	5.7%	1.4%
SEMTRI	8,046.0	-2.7%	-4.5%	-8.0%	10.2%	-0.4%
DEMTRI	400.0	-1.8%	-3.0%	-15.3%	8.2%	4.1%
SEMSI	104.5	-2.8%	-5.5%	-12.1%	6.7%	4.0%



The local equity indices were down for the month of March.

Both the SEMDEX and the SEMTRI lost 2.7%, while the SEM-10 was down by 1.9% over the month.

The Secondary Market also posted negative returns during the month, with DEMEX and DEMTRI both losing 1.8%.

The local equity indices were down for the quarter as well, with the SEMTRI falling by 4.5%.

As at end-March, the Price Earnings Ratio and the Dividend Yield on the Official Market stood at 8.87 times and 3.82% respectively.

Rebalancing of the SEM-10 Index

On 05 April 2023, the SEM-10 Index Management Committee published the selected constituents of the SEM-10 and of the reserve list for the second quarter of 2023. There were no changes to the constituents of the index. Mauritius Union Assurance Limited made it to the Reserve List (replacing Sun Limited).

Local Yields & Inflation Rate

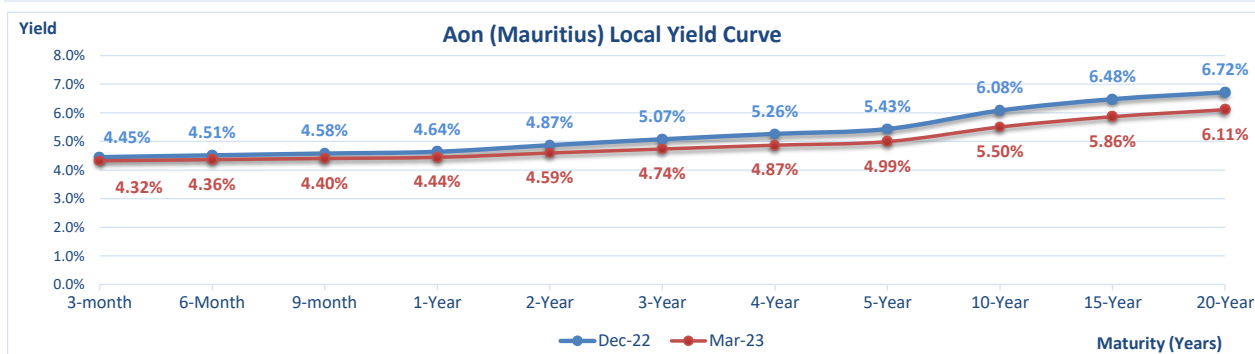
Consumer Price Index (Mauritius)

	Current Value	Last month	Year-to-Date	Last 12 months	Last 3 Years* <i>*annualised</i>
Inflation Rate	197.6	0.5%	3.1%	9.2%	6.9%

Key Rate (as at 16/01)	4.50%
Deposit Rate *	2.29%

**Weighted Average Deposit Rate of Banks as at February 2023*

Year-on-year inflation (measured as the year-on-year change in the Consumer Price Index (CPI)) worked out to 9.2% in March 2023, compared to 10.7% in March 2022. Headline inflation for the 12-months ending March 2023 stood at 11.1% (source: Statistics Mauritius).



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

Local yields moved slightly down in March, compared to end-December 2022 yields. As at end-March 2023, the yield on the 1-Year Government of Mauritius Bond stood at 4.44%.

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	162.1	1.6%	4.5%	-2.5%	0.9%	3.9%

*annualised

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. The index gained 1.6% over the month and was up by 4.5% over the quarter.

Commodities & Other Investments

	Current Value (in USD)	Last month	Year-to-Date	Last 12 months	Last 3 Years*	Last 5 Years**
Gold	1,969.0	7.2%	7.8%	0.5%	7.2%	8.3%
Oil	79.8	-4.9%	-7.1%	-26.1%	51.9%	2.6%
S&P GSCI Index	3,323.0	-1.1%	-4.9%	-10.0%	30.5%	4.9%

*annualised

Gold price was up by 7.2% for the month of March, following the recent collapse of several U.S. banks which led to worries about financial instability across the globe. This raised the appeal for the yellow metal as a safe haven. Additionally, weakness in U.S. Dollar supported the rally in the gold price. Over the quarter, gold registered the largest gain and was up by 7.8%.

Oil prices were down by 4.9% over the month under review. Over the quarter, oil prices were down as well by 7.1%.

The S&P GSCI Index recorded a negative performance of 1.1% over the month. Energy and livestock were the worst-performing components of the index, while precious metals and industrial metals registered price gains (source: Schroders). Over the quarter, the index was down by 4.9%.

Volatility Index	Current Value (in USD)	Last month	Year-to-Date	Last 12 months	Last 3 Years*	Last 5 Years**
CBOE Volatility Index (VIX)	18.7	-9.7%	-13.7%	-9.0%	-29.6%	-1.3%

The CBOE Volatility Index (VIX Index), also known as the fear gauge, is one of the most recognized measures of volatility. It is a real-time index that represents the market's expectations for the relative strength of near-term price changes of the S&P 500 Index. It was down by 9.7% in March. **Note that VIX Index values below 20 generally correspond to more stable, less stressful periods in the markets.**

Alternatives: Foreign Indices	Current Value (USD)	Last month	Year-to-Date	Last 12 Months	Last 3 Years**
S&P Global Property	475.6	-2.8%	0.3%	-20.5%	6.4%
S&P Listed Private Equity	428.2	-5.0%	5.5%	-16.2%	20.6%
S&P Global Infrastructure	6,325.7	2.4%	3.9%	-6.9%	15.6%

The collapse of Silicon Valley Bank and ensuing banking crisis led to chaos in the bond market in March.

The US 10-year Treasury yield (which is considered as a major benchmark) was trading at around 3.51% as at 30 March 2023. The US two-year Treasury yields incurred their steepest drop since the early 1980s, from above 5% to 4.06% as at end-March 2023.

The U.S. Treasury yield curve has been inverted since mid-2022 (source: Forbes).

Foreign Bond Indices	Current Value (USD)	Last month	Year-to-Date	Last 12 Months	Last 3 Years**
S&P Africa Sovereign Bond	1,022.6	0.6%	0.4%	2.6%	9.1%
S&P 500 Bond Index	472.4	2.7%	3.5%	-5.1%	-0.3%
S&P International CBI	116.4	3.2%	3.5%	-12.6%	-1.8%
Bloomberg Global Aggregate Total Return Index	459.3	3.2%	3.0%	-8.1%	-3.4%
Bloomberg US Aggregate Total Return Value Unhedged	2,109.4	2.5%	3.0%	-4.8%	-2.8%

Other Indices	Current Value (USD)	Last month	Year-to-Date	Last 12 Months	Last 3 Years**
Renaissance IPO Index	322.8	3.7%	18.4%	-33.1%	4.1%

Amid falling yields, the Bloomberg Global Aggregate Total Return Index gained 3.2% in March and was up by 3.0% over the quarter.

The Bloomberg US Aggregate Total Return Index is a broad-based, market capitalization-weighted bond market index representing intermediate term investment grade bonds traded in the United States. Over the month under review, the index rose by 2.5% in USD terms. Over the quarter, the index was up by 3.0%.

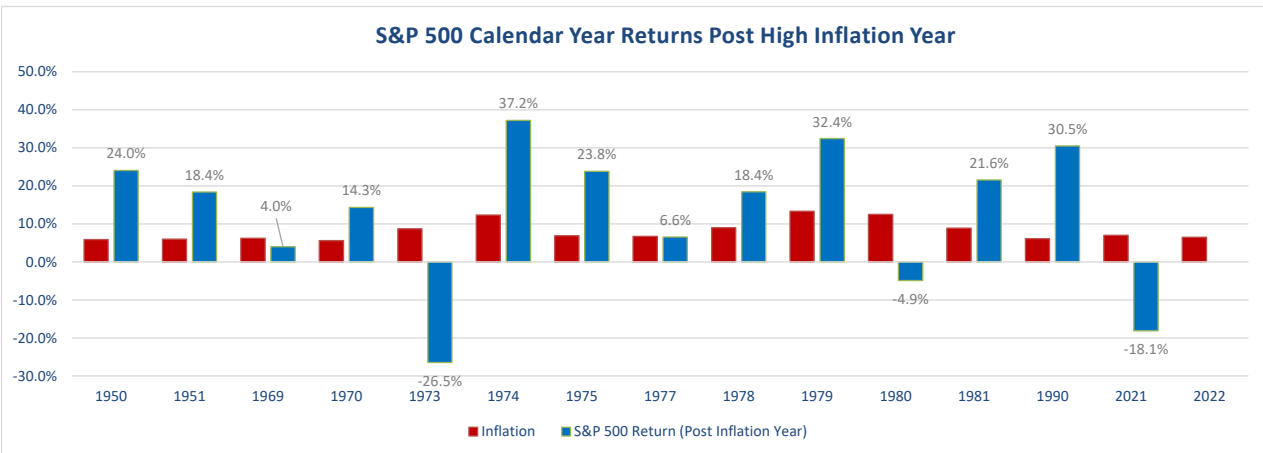
The Renaissance IPO Index, which tracks the newly listed companies, was up by 3.7% after a strong start to the year. According to Renaissance Capital, there have been 23 IPOs priced through mid-March and the total proceeds for U.S. IPOs stand at USD 2.2bn for 2023 so far. Over the quarter, the index rose by 18.4%.

Analysis: Evolution of S&P 500 and SEMTRI Returns Post Inflation Year

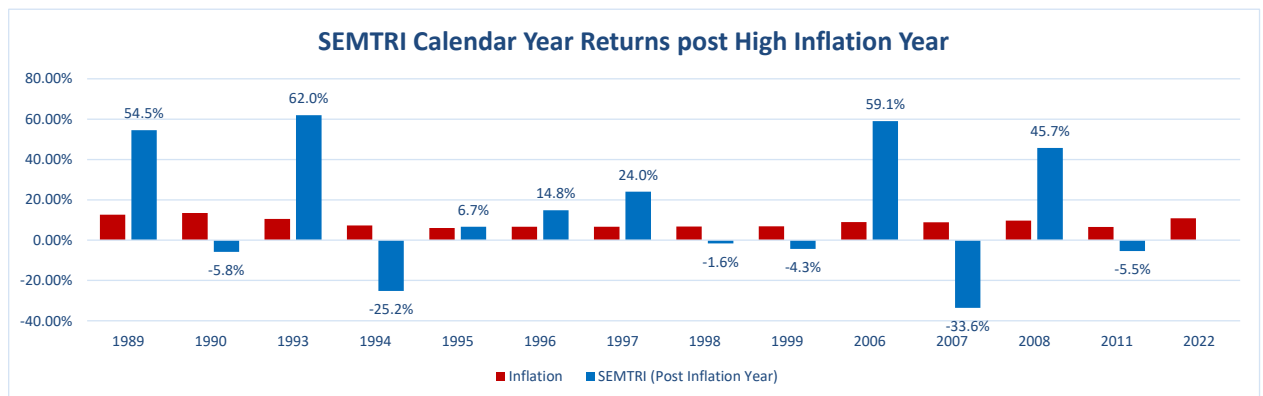
In this month's edition, we compare the historical calendar year returns of the local and US equity market following a high inflationary year.

An inflation rate of 1-3% is usually considered healthy for stocks. However, periods of high inflation often cause uncertainty, volatility and a slowdown in spending, leading to lower economic growth. Nevertheless, following a high inflationary year, in theory, stock prices are expected to pick up.

The below charts show the returns of S&P 500 (in USD terms) and SEMTRI (in MUR terms) post a high inflation year, that is, the reaction of the stock market following year of high inflation (source: IMF, Statistics Mauritius, Stock Exchange of Mauritius, World data).



The above chart shows high inflationary years in the US (ranging between 6% to 13%). For example, in 1974, year on year inflation in the US stood at 12.3% and the calendar year return in 1975 for the S&P 500 stood at 37.2%. Out of 14 observations, the S&P 500 recorded positive returns, 78% of the time following a high inflationary year. Note that as at end December 2022, US inflation stood at 6.5%. As at end March 2023, the S&P 500 has grown by 7% since the start of the year in USD terms.



The above chart shows high inflationary years in Mauritius (headline inflation above 6.5%) since the creation of the SEMTRI (July 1989). For example, in 1993, headline inflation locally stood at 10.5% and the calendar year return in 1994 for the SEMTRI stood at 62%. Out of 13 observations, the SEMTRI recorded positive returns, 53% of the time following a high inflationary year. Note that as at end December headline inflation stood at 10.8%. As at end March 2023, the SEMTRI has fallen 4.5% since the start of the year in MUR terms.

From the above analysis, we cannot say there is a significant positive correlation between positive market returns during a calendar year and high inflation environment in the previous year for the local market.

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.