

## May 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 31 May)

### 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)	669.5	2.3%	7.3%	51.0%	9.6%	13.9%
MSCI The World Index	8,920.4	1.4%	11.4%	40.6%	14.4%	14.2%
MSCI All Country World Index	363.8	1.6%	10.8%	41.8%	13.9%	14.2%
MSCI EFM Markets Africa	1,302.6	6.6%	18.4%	62.7%	2.5%	6.8%
S&P 500	4,204.1	0.5%	11.9%	38.1%	15.8%	14.9%
S&P 500 ESG Index	454.5	0.5%	12.8%	40.5%	19.3%	17.8%

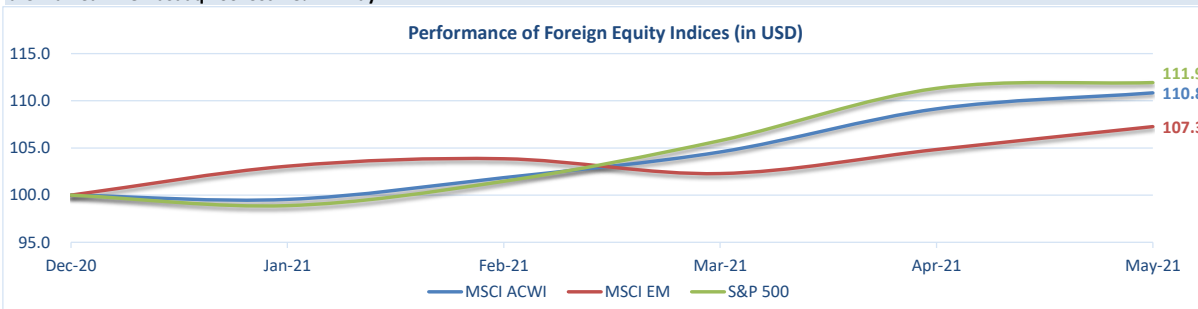
\*annualised

EuroStoxx 50 (in EUR)	4,039.5	1.6%	13.7%	32.5%	5.8%	5.7%
FTSE 100 (in GBP)	7,022.6	0.8%	8.7%	15.6%	-2.9%	2.4%

Optimism around economic reopening was met with lingering fear of inflation among investors. During May, foreign stock markets remain volatile. Investors faced a tug-of-war between the economic recovery and rising inflation. The concern is that the global recovery could be hampered if governments and central banks have to withdraw stimulus to fight rising prices. The Federal Reserve's preferred inflation measure, core personal consumption expenditure recorded the largest year-on-year jump in three decades as it rose 3.1% in April compared with the previous year (source: *The New York Times*). On 12th May, the Consumer Price Index in the US jumped by 4.2%, the sharpest since September 2008. Moreover, Biden's administration trimmed its target infrastructure plan from USD 2.3 trillion to USD 1.7 trillion (source: *The Wall Street Journal*).

Nevertheless, positive US manufacturing data and expectations of positive jobs report in the US supported equity prices. Amid the volatility, the foreign equity indices registered positive returns for the month of May. The MSCI All Country World Index gained 1.6% in May. **It is to worth highlighting that the MSCI Emerging and Frontier Markets Africa Index returned 6.6% in May.**

In the US, inflation fears definitely weighted on investors' sentiments although the major US stock market indices hovered around all-time highs towards the end of the month. **Both the S&P 500 and the S&P 500 ESG Index each gained 0.5% during May.** Energy stocks were the biggest gainers in the S&P 500 as oil prices surged in May (source: *Los Angeles Times*). Losses in the technology and healthcare sectors largely offset gains elsewhere in the market. **The Nasdaq 100 lost 1.3% in May.**



US President Joe Biden also unveiled his first annual budget plan worth USD 6 trillion, including steep tax increases for wealthier Americans to power new social programmes and investment in the fight against climate change. **Under the new budget, public debt would reach 117% of GDP by 2031, the highest since World War II.**

European markets were boosted by strong manufacturing activity data in the UK and the euro zone. **The EuroStoxx 50 gained 1.6% (in EUR terms) in May.** Gains were however, capped by fears of rising inflation in Europe as well.

The market's more seismic moves were concentrated around a handful of stocks popular with individual investors, including AMC Entertainment and BlackBerry. Both of those so-called meme stocks are on a tear again after surging earlier this year. AMC's share price rose by 160% in May (source: *The Wall Street Journal*).

### Currencies

In MUR	Current Value (MUR)	Past Month	Last month	Year-to-Date	Last 12 Months	Last 3 months
GBP	57.24	55.99	2.2%	7.2%	16.4%	7.8%
USD	40.52	40.33	0.5%	2.8%	1.2%	5.5%
EUR	49.19	48.66	1.1%	2.0%	11.2%	7.1%

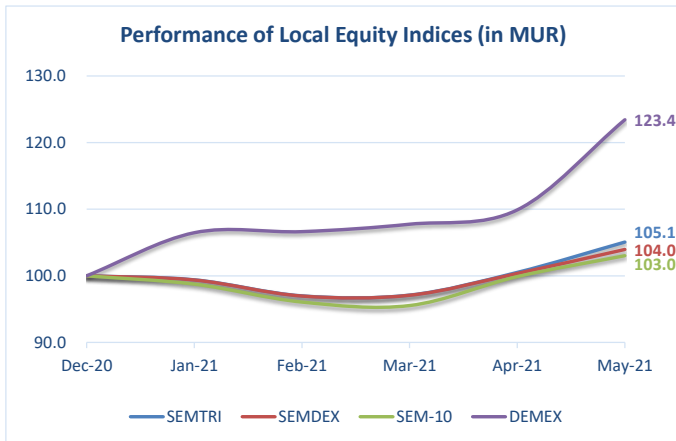
\*annualised

All three currencies appreciated against the Mauritian Rupee during May. The Pound and the Euro gained 2.2% and 1.1% respectively relative to the local currency. The US Dollar also rose by 0.5% against the MUR in May.

**The Pound registered the biggest appreciation relative to the MUR, in May and year-to-date.** On 1st June, the Pound reached a three-year high against the dollar as the UK economy reopens. (source: *Bloomberg*)

**Local Equity Indices**

	Current Value (in MUR)	Last month	Year-to-Date	Last 12 months	Last 3 Years*	Last 5 Years*
SEMDEX	1,713.6	3.6%	4.0%	5.6%	-8.7%	-0.4%
SEM-10	319.1	3.1%	3.0%	2.8%	-9.6%	-1.1%
DEMEX	263.9	12.3%	23.4%	33.0%	3.2%	6.4%
SEMTRI	6,686.1	4.5%	5.1%	7.5%	-6.3%	2.4%
DEMTRI	391.9	12.8%	24.4%	36.0%	6.1%	9.6%
ALEX 20	874.5	3.9%	5.2%	9.1%	-8.9%	0.0%
ALCAPEX 12	1,317.7	6.9%	9.5%	14.9%	-6.0%	1.0%
SEMSI	92.2	2.5%	1.5%	2.7%	-9.2%	N/A



The local equity indices all closed the month in the green. The SEMDEX and SEMTRI rose by 3.6% and 4.5%, respectively. The SEM-10 was also up by 3.1% for the month.

The DEMTRI recorded the highest monthly gain of 12.8% in May. Year-to-date, the DEMEX was up by 23%! The top contributors to the year-to-date performance of the index were C-Care (+149%), Ascencia (+42%) and Kolos (+36%).

During May, foreign investors remained net sellers (around Rs 47m) on the Official Market of the Stock Exchange of Mauritius. On a YTD basis, net selling by foreigners amounts to Rs508.3m.

**Monetary Policy Committee (MPC)**

The meeting of the Monetary Policy Committee, initially scheduled for the 2nd June, was postponed. The date of the next MPC has not been communicated yet.

**Budget Presentation**

Dr The Honourable Renganaden Padayachy, Minister of Finance, Economic Planning and Development, will present the Budget 2021-2022 on 11th June.

**Local Yields & Inflation Rate**

**Consumer Price Index (Mauritius)**

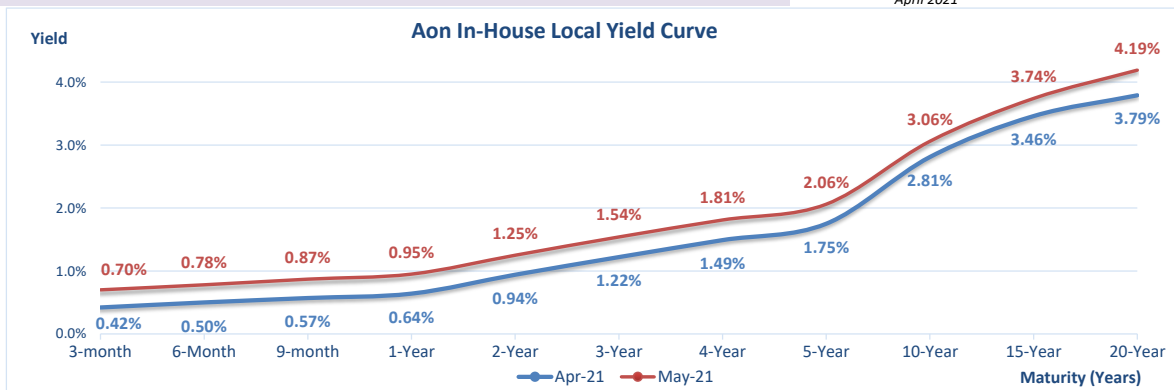
	Current Value	Last month	Year-to-Date	Last 12 months	Last 3 Years*
CPI	165.5	0.7%	3.5%	2.4%	2.0%

The above figures represent the CPI as at 31st May 2021. Year-on-year inflation worked out to 2.4% in May 2021, compared to 2.8% in May 2020. (source: Statistics Mauritius)

**Recent Issues by the BoM**

Weighted Average	T-Bill Yield
91-Day	0.63%
182-Day	0.89%
364-Day	1.05%
Repo Rate	1.85%
Deposit Rate *	0.43%*

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



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

Local yields on treasury instruments across all maturities rose during May. Yield on the 1-Year Treasury Bill stood at 0.95%, up by 0.31% compared to end-April yield. The 1-Year yield has risen by around 156%, year-to-date. Real yields however remain negative for maturities of 5 years and below.

On 26th May, the Bank of Mauritius held an auction for a 20-year Treasury Bond for a nominal amount of MUR 2.5 billion at a weighted average yield of 4.31%. The move represents a rise of 1.33% in the weighted average yield compared to the 20-year bond auction held in February 2021 (source: Bank of Mauritius).

## 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	1,911.15	8.1%	0.8%	10.0%	13.7%	9.5%
Oil	69.32	4.0%	33.8%	96.2%	-3.7%	6.9%
S&P GSCI Index	519.23	2.6%	26.8%	69.1%	2.6%	7.0%

The price of gold rose by 8.1% in May. Growing inflationary pressures continued to provide a boost to the metal's appeal. Gold is often considered as a hedge against inflation.

The oil price continued to rise on strong demand outlook with the re-opening of the major economies. Moreover, the OPEC and its allies stuck with their plan to only gradually release more barrels into the market. In May, oil price gained 4.0%. **On 1st June, oil price rose to a two-year high and closed above USD 70 per barrel.**

The S&P GSCI Index was up by 2.6% in May. **It is also worth noting that the index has rallied by more than 70% since its low in April 2020**, with the outbreak of the pandemic.

Alternatives: Foreign Indices	Current Value (USD)	Last month	Year-to-Date	Last 12 Months	Last 3 Years*
S&P Global Property	570.25	1.8%	12.9%	34.2%	6.6%
S&P Listed Private Equity	494.37	3.0%	25.6%	63.6%	19.6%
S&P Global Infrastructure	5,844.47	0.6%	7.2%	19.9%	6.9%

The yield on the 10-Year US Treasury Bond stood at 1.58%, falling by 0.05% in May.

The Bloomberg Barclays Global Aggregate Bond Index gained 0.9% during the month. Year-to-date, the index was still down by 2.3%.

Foreign Bond Indices	Current Value (USD)	Last month	Year-to-Date	Last 12 Months	Last 3 Years*
S&P Africa Sovereign Bond	921.28	1.9%	1.3%	10.1%	10.3%
S&P 500 Bond Index	525.44	0.5%	-2.7%	3.6%	7.0%
S&P International CBI	153.25	1.9%	-0.8%	15.5%	6.0%
Bloomberg Barclays Global Aggregate Bond Index	545.62	0.9%	-2.3%	4.5%	4.4%

Other Indices	Current Value (USD)	Last month	Year-to-Date	Last 12 Months	Last 3 Years*
Renaissance IPO Index	673.65	-1.3%	-4.4%	69.1%	28.7%

The Renaissance IPO Index fell by 1.3% in May. In comparison, note that the S&P 500 was up by 0.5% during the month.

## General News

### Transition to a net zero energy system by 2050

The International Energy Agency issued a roadmap to net zero emissions by 2050. To reach that goal, it said that no new oil or gas projects should be approved, and that power generated by solar and wind should increase fourfold by 2030. The number of countries announcing pledges to achieve net-zero emissions over the coming decades continues to grow. (source: International Energy Agency)

### Organisation for Economic Co-operation and Development (OECD) Growth Forecasts

On 31st May, the OECD projected that the global economy will grow at its fastest pace in almost half a century in 2021 thanks to aggressive vaccination programs and the US government's latest fiscal stimulus package. Global economic output is expected to increase by 5.8% this year, having contracted by 3.5% in 2020. That is a faster rate of growth than it projected in March, and would be the strongest expansion since 1973. It also raised its global growth forecast for 2022 to 4.4% from 4.0%. The OECD also indicated that the global economy would reach pre-pandemic levels of activity by 2022.

### Taxing Multinationals Companies

The G7 reached a "historic" deal on taxing multinational companies. Multinationals will now be required to pay taxes where they operate, as the agreement will prevent companies from shifting profits to low tax jurisdictions. A global minimum corporate tax rate of at least 15% was also agreed on, which now paves the way for further discussions at the G20 meeting in July.

### This month's Article

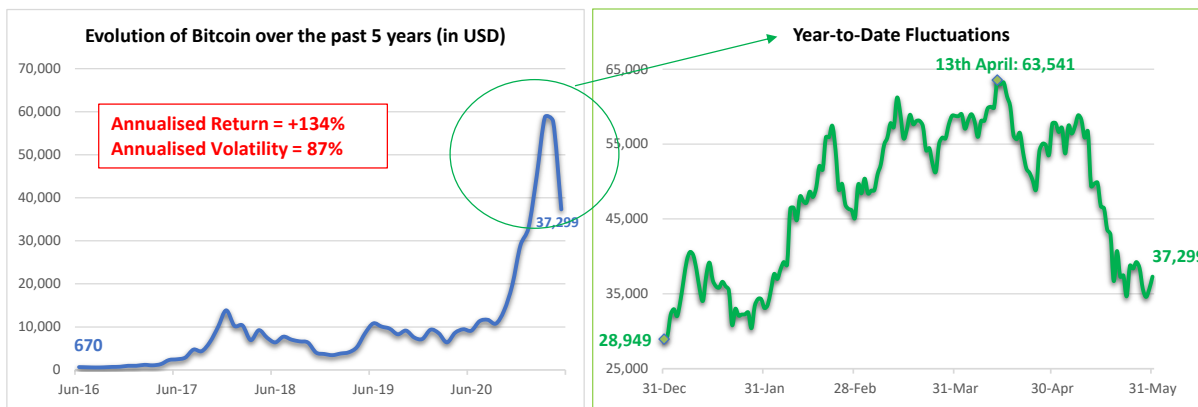
#### Is Bitcoin the new digital gold?

Bitcoin's steep rise in recent years has put it in the front of many investors' minds. Going back to 2009, cryptocurrencies had just emerged. Bitcoin became the world's first cryptocurrency in early 2009, and since its introduction, over 4,000 new cryptocurrencies have been created. The market capitalisation of these digital currencies is now nearly USD 2 trillion, of which approximately 55% is attributable to Bitcoin. Many see a parallel with gold, believing that Bitcoin is poised to become a digital 'store of value'. Returns have been very strong but are less impressive once its extraordinarily high volatility is considered.

#### Evolution of Bitcoin

As can be seen in the graph on the next page, over the last 5 years, Bitcoin rose from USD 670 to USD 32,299 as of 31st May 2021, returned +134% (annualized) in USD terms. However, the returns were also subject to an annualized volatility of 87%, over the same period.

Bitcoin's first massive bull run began in 2017 mainly because of strong retail investor enthusiasm, which took the price to USD 20,000. However, by the end of 2018, the price fell below USD 4,000. Since then, the coin has remained highly volatile.



More recently, a mixture of strong retail and emerging institutional demand against the backdrop of central bank monetary intervention has sparked a vertical rally. Since the start of 2021, the cryptocurrency price sharply climbed from USD 28,949 in December 2020 to an all-time high of USD 63,541 on 13th April. This rally was encouraged by the acceptance of Bitcoin amongst some payment providers such as PayPal, Visa and Mastercard. Moreover, Tesla expressed its support to accept Bitcoin as a means of payment. Subsequently, Bitcoin crashed and fell by 35% in May after Tesla had a shift in sentiment and decided to stop vehicle purchases with the cryptocurrency.

**Attributes of Bitcoin**

The amount of Bitcoin in existence is fixed at 21mln coins. The **finite supply** of Bitcoin tends to make the digital asset comparable to gold. Furthermore, Bitcoin's lower carry costs, potential security benefits and ease of transferability are believed to be its crucial advantages over gold.

The correlation between the returns of gold and Bitcoin have varied over time. Since early 2019, there seemed to be some evidence that Bitcoin was positively correlated with gold. However, recently, this **correlation seems to have reversed**. This has in turn, fuelled the narrative that Bitcoin is a store of value like gold and may also potentially replace the precious metal in the future. JP Morgan argued that there have been significant inflows into Bitcoin trusts recently, whereby gold ETFs have experienced outflows.

Another attribute of Bitcoin's digital store of value property is its **negative correlation with the US dollar**. The US dollar is seen as the world's reserve currency. The negative correlation is valuable should the world lose confidence in the dollar. Rising inflation could lead to a major reduction in the real value of the dollar and therefore lead to an appreciation of Bitcoin in relative terms, in a similar way to gold.

Cryptocurrencies continue to be used more as a vehicle for speculation than as a store of value. Bitcoin's historical volatility is about ten times that of equities or commodities. The U.S. Securities and Exchange Commission has also warned investors about the risk of investing mutual funds which hold bitcoin futures.

Bitcoin is not regulated. However, cryptocurrencies are now facing increasing regulatory scrutiny. India intends to propose a law which bans cryptocurrencies. During the month, China also requested its banks and payment companies not to conduct transactions involving cryptocurrencies and cautioned investors against speculating in them. Cryptocurrencies have historically been associated with fraud and the anonymity of users complicates government attempts to try to track the individuals behind transactions.

Extreme volatility of the cryptocurrency is the key barrier to wider institutional adoption. This also makes Bitcoin an unreliable store of value. The market appears too speculative and immature. The potential for government and central bank intervention to limit Bitcoin's circulation and its poor ESG footprint act as further barriers. Therefore, it is still difficult to make a persuasive case for institutional investors to engage in today's Bitcoin market. Moreover, Goldman Sachs has questioned the replacement of gold by digital currencies and argues that the latter are rather an alternative to copper (not gold) due to the higher risk associated! (source: CNBC)

**As can be seen, Bitcoin and other cryptocurrencies remain a highly speculative and volatile investment and they are not appropriate for institutional investors such as pension funds.**

**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.