Aon Solutions Ltd
Investment Dashboard

Empower Results®

November 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 January to 30 November)

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)	597.1	**-4.1%**	-4.3%	2.7%	9.3%	9.5%
MSCI The World Index	9,355.8	**-2.2%**	16.8%	21.8%	16.9%	14.6%
MSCI All Country World Index	374.1	**-2.4%**	14.0%	19.3%	16.0%	14.0%
MSCI EFM Markets Africa	1,102.3	**-4.5%**	0.2%	9.3%	1.9%	2.9%
MSCI ACWI ESG Leaders Index	2,582.0	**-2.9%**	16.0%	20.8%	16.9%	14.5%
S&P 500	4,567.0	**-0.8%**	21.6%	26.1%	18.3%	15.7%
S&P 500 ESG Index	510.4	**0.1%**	26.6%	30.9%	22.6%	19.2%
EuroStoxx 50 (in EUR)	4,063.1	**-4.4%**	14.4%	16.3%	8.6%	5.9%
FTSE 100 (in GBP)	7,059.5	**-2.5%**	9.3%	12.7%	0.4%	0.8%

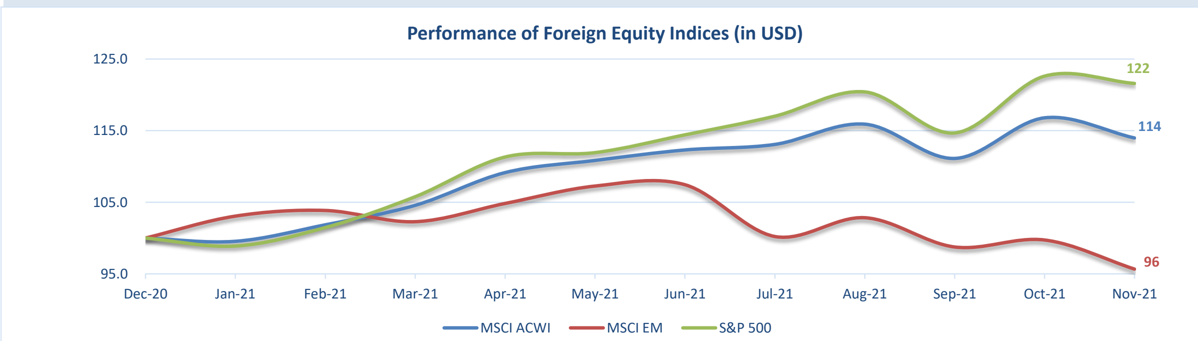
*annualised

Equity markets began November positively. However, the twin challenges of a new variant strain and soaring core inflation pushed the major equity indices into the red. The World Health Organization (WHO) has described the new highly mutated variant, Omicron, as a “variant of concern”. Omicron was first detected in Botswana and is rapidly spread across the globe. The Organization for Economic Co-operation and Development (OECD) also warned that Omicron could further threaten supply-chains and potentially lead to higher inflation. The **MSCI All Country World Index** and **MSCI World Index** lost 2.4% and 2.2% (in USD terms) during the month under review. The MSCI Emerging and Frontier Markets Africa Index recorded the biggest decline of 4.5% for the month.

US stocks also slumped in November. The S&P 500 fell from its latest all-time high and saw its most volatile session since March (*source: Bloomberg).* It dropped by 0.8% during the month. The S&P 500 ESG Index nevertheless, recorded modest gains of 0.1%.

The US core personal consumption expenditure index excluding volatile food and energy costs, rose by 4.1% in October compared with a year ago. This represents the largest year-on-year jump since 1990. The Fed announced that it would act to keep inflation in check.

In November, the US economy added 210,000 jobs, sharply below the previous month's upwardly revised 546,000 jobs and the monthly average of 555,000 job gains in 2021. However, the US unemployment rate dropped to its pre-pandemic low of 4.2% from 4.6%.



The Eurozone inflation touched the historic high of 4.9% in November due to soaring energy prices and supply chain bottlenecks. This further puts pressure on the European Central Bank, which has so far maintained a distance from other major central banks’ narrative, to gradually tighten the monetary policy. The EuroStoxx 50 fell by 4.4% (in EUR terms) in November.

The FTSE 100 lost 2.5% (in GBP terms) in November. It was actually its worst monthly decline in more than a year as concerns over the Omicron coronavirus variant hit the economically sensitive sectors. *(source: Reuters)*

Currencies

In MUR	Current Value (MUR)	Past Month	Last month	Year-to-Date	Last 12 Months	Last 3 Years
GBP	57.27	58.76	**-2.6%**	7.2%	8.2%	9.3%
USD	43.21	42.83	**0.9%**	9.6%	8.3%	7.9%
EUR	48.60	49.75	**-2.3%**	0.8%	2.3%	7.6%

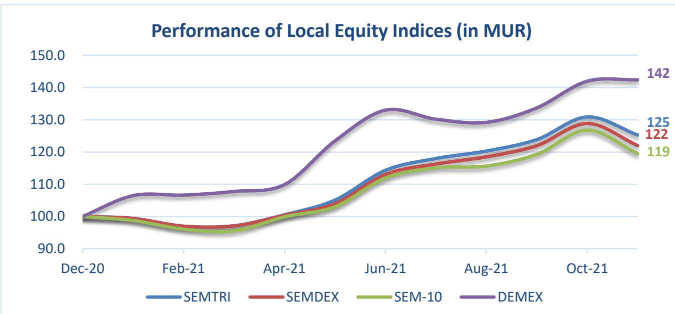
*annualised

The Pound and the Euro weakened by 2.6% and 2.3%, respectively against the local currency. The US Dollar, on the other hand, move higher by 0.9% relative to the MUR during the month under review.

Local Equity Indices

	Current Value (in MUR)	Last month	Year-to-Date	Last 12 months	Last 3 Years*	Last 5 Years*
SEMDEX	2,010.7	**-5.3%**	22.0%	25.5%	-3.4%	2.2%
SEM-10	369.9	**-5.8%**	19.4%	23.2%	-4.9%	1.5%
DEMEX	304.4	**0.3%**	42.4%	49.3%	8.9%	8.7%
SEMTRI	7,971.6	**-4.3%**	25.3%	29.3%	-1.1%	4.9%
DEMTRI	456.0	**0.3%**	44.8%	52.7%	11.6%	11.8%
ALEX 20	1,037	**-6.4%**	24.7%	29.1%	-2.7%	2.6%
ALCAPEX 12	1,609.0	**-6.4%**	33.7%	40.2%	1.0%	4.0%
SEMSI	109.1	**-5.6%**	20.1%	23.6%	-4.1%	N/A

*annualised



Growing number of Delta-variant cases and related deaths continue to cast uncertainty over economic outlook of Mauritius. The discovery of Omicron and the subsequent travel restrictions on African countries further worsened the situation during late-November.

The Official Market registered negative returns, with the SEMDEX and SEMTRI falling by 5.3% and 4.3% respectively during the month. The SEM-10 lost the most; 5.8% in November.

The DEMTRI and DEMEX however remained range-bound.

During November, net foreign selling on the Official Market amounted to MUR 356.4mln.

Local Yields & Inflation Rate

Consumer Price Index (Mauritius)

	Current Value	Last month	Year-to-Date	Last 12 months	Last 3 Years*
CPI	170.4	**0.7%**	6.6%	6.4%	3.2%

*annualised

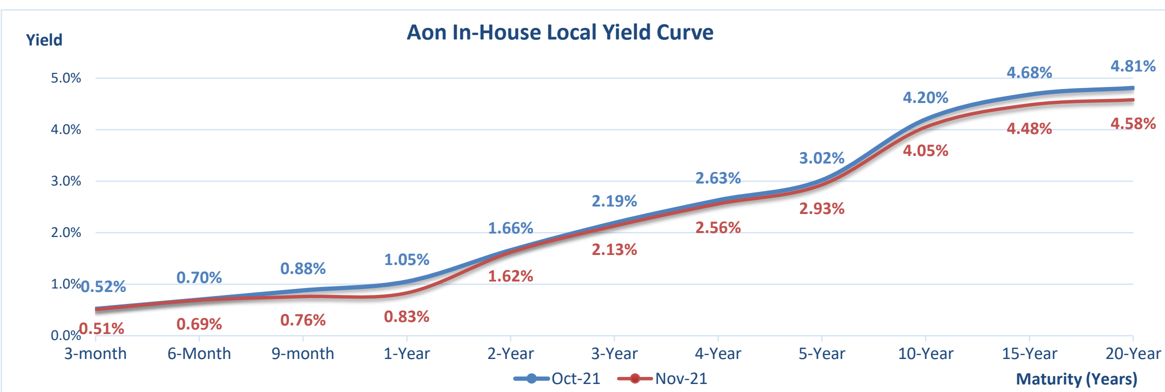
The above figures represent the CPI as at 30 November 2021. Year-on-year inflation worked out to 6.4% in November 2021, compared to 3.1% in November 2020. *(source: Statistics Mauritius)*

Recent Issues by the BoM

Weighted Average	**T-Bill Yield**
91-Day	0.62%
182-Day	0.75%
364-Day	0.83%

Repo Rate	1.85%
Deposit Rate *	0.41%*

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



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

Local yields across all maturities moved slightly lower during the month. As at end-November 2021, the yield on the 1-year Government of Mauritius Treasury Bill stood at 0.83%. **Yields across all maturities remained significantly negative in real terms.**

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Commodities & Other Investments

	Current Value (in USD)	Last month	Year-to-Date	Last 12 months	Last 3 Years*	Last 5 Years*
Gold	1,776.50	**-0.4%**	-6.3%	-0.2%	13.2%	8.7%
Oil	70.57	**-16.3%**	36.2%	48.3%	6.3%	6.9%
S&P GSCI Index	522.44	**-11.8%**	27.6%	35.5%	8.7%	6.7%

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Despite fears of Omicron, the **Gold price fell by 0.4%, hurt by a firmer Dollar in November.** Increasing expectations that the Fed may fasten monetary tightening to curb inflation weighed on gold price. Reduced stimulus and interest rate hikes tend to push government bond yields up, raising the opportunity cost of non-interest bearing gold. *(source: Economic Times)*

In November, the Oil price saw its largest monthly decline of 16.3% since the onset of the pandemic *(source: City Index)* . The decline in November gained momentum after U.S. President Joe Biden launched a campaign calling for OPEC+ to increase supply and lower energy prices to ease inflationary pressures. The OPEC and a group of Russia-led oil producers subsequently agreed to raise their collective production. Moreover, the arrival of the Omicron variant accelerated the fall in oil price over concerns of existing vaccines efficacy and demand for oil.

Energy markets tumbled in November. The S&P GSCI, the broad commodities benchmark, declined by 11.8% over the month. The poor performance was driven by a major correction in energy prices, as the discovery of the Omicron variant cast a lengthening shadow over demand growth, added further complications to global supply chains, and dampened economic growth forecasts. *(source: Seeking Alpha)*

Alternatives: Foreign Indices	Current Value (USD)	Last month	Year-to-Date	Last 12 Months	Last 3 Years*
S&P Global Property	584.55	**-2.1%**	15.8%	19.6%	8.0%
S&P Listed Private Equity	547.39	**-3.8%**	39.0%	48.1%	25.2%
S&P Global Infrastructure	5,717.76	**-5.3%**	4.9%	4.8%	6.8%
Foreign Bond Indices					
S&P Africa Sovereign Bond	959.42	**0.6%**	5.5%	5.9%	11.1%
S&P 500 Bond Index	536.22	**0.0%**	-0.7%	-0.3%	8.0%
S&P International CBI	143.03	**-2.5%**	-7.4%	-4.5%	5.2%
Bloomberg Global Aggregate Bond Index	533.17	**-0.3%**	-4.6%	-3.3%	4.3%
Other Indices					
Renaissance IPO Index	691.94	**-8.0%**	-1.8%	-1.6%	34.3%

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The Bloomberg Global Aggregate Bond Index further fell by 0.3% in November.

Benchmark US bond yields moved down due to volatile trade after data showed US job growth slowed considerably in November and the Omicron variant of the coronavirus kept investors on edge. As at 30 November, the yield on the 10-Year US Treasury Bond stood at 1.46%, compared to 1.56% as at end-October 2021.

This month's Article

Crazy Crypto

2021 has been a breakout year for Cryptocurrencies, the year during which certain institutions and individuals alike embraced cryptocurrencies, but also a year during which performance has been nothing short of spectacular. Indeed, the market for cryptocurrencies has significantly evolved since Bitcoin started as the first digital currency to use blockchain technology in 2008. While Bitcoin remains the most popular cryptocurrency, the landscape has definitely changed since then.

By the end of 2013, over 50 cryptocurrencies had come to existence. A year later, this figure had grown around ten-fold to over 500. Fast forward to 2021 and it is reported that almost 13,000 different cryptocurrencies are in circulation around the world. According to Bloomberg, the total market value of cryptocurrencies pushed past $2 trillion for the first time in April 2021. This came after the total market capitalization doubled in about two months amid surging institutional demand. To put things into perspective Bitcoin's market capitalization alone increased from USD 1 billion in 2013 to over USD 1 trillion as at end-November 2021. The Bloomberg Galaxy Crypto Index, an index measuring the performance of the largest digital assets traded in US dollars, has returned nearly 200% so far this year. In fact, it is nowadays not uncommon to see certain cryptocurrencies double in value within a week, a single day, or even a couple of hours!

Welcome to the world of rapid astronomical gains…the World of Cryptocurrencies.

A digital token created in 2013 but having gained much more popularity in recent years, Dogecoin features a picture of a Shiba Inu (a dog breed popular in internet memes) and is famous for being the first "meme coin". While major cryptocurrencies such as Bitcoin and Ethereum were developed to solve real-world problems and with the intent of eventually becoming widely accepted for transactions, a meme coin generally serves little or no real-world purpose.

However, despite their shaky fundamentals, some meme coins have experienced astronomical growth. Dogecoin has grown by over 3500% in 2021. Another meme-based cryptocurrency, Shiba Inu (inspired by Dogecoin and making reference to same dog breed), gained much attention during 2021, especially in the third quarter when the price sky-rocketted. As at the 9th December 2021, the year-to-date performance of this coin is in excess of +70,000,000% (you are reading this right…seventy million percent!!!)

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Other notable milestones for Cryptocurrencies this year include the launch of the first US Bitcoin futures exchange-traded fund (ETF) and the first US Public Pension Fund to ever invest in Bitcoin, both occurring during past October.

More concerning, however, is how recent events highlighted the risks associated with Cryptocurrencies, namely:

• **Hacking risk:** Hackers stole nearly $200 million worth of cryptocurrency from Bitmart, a Cayman Islands-based trading platform in early December 2021. This follows from a series of similar incidents in recent years.

• **Potential for major correction:** The top contender for a "major correction" in 2022 – in a recent survey carried out by Natixis investment managers, nearly 75% of institutions polled mentioned that cryptocurrencies are NOT appropriate for most retail investors!
Some coins have already started to experience major corrections, e.g., Dogecoin has lost over 70% of its value since reaching its all-time high in May 2021. In fact, most of this value was lost within the two months following its record high price.

Similarly, the now famous Shiba Inu coin, has lost more than half of its value in a span of one and a half month since achieving record highs in end of October 2021.
• **Regulatory risks:** Unlike fiat currencies (i.e., money issued by governments), cryptocurrencies tend be much less regulated, if at all. Crypto is still restricted or illegal in many countries. The Indian government, for example, has recently announced a new financial regulation bill which will create a framework for an official currency to be issued by the Reserve Bank of India, and to ban all private cryptocurrencies.

• **Unknown correlation with other asset classes:** In early December, the price of Bitcoin fell by almost 20% over one weekend before partially recovering. A similar drop occurred in November, where the most famous cryptocurrency temporarily entered bear-market territory (an asset enters bear market when its falls by 20% or more relative to its recent high) before subsequently recovering. The fall in early December also impacted other crypto currencies, which caused the capitalization of all crypto assets to fall by around $400mln. While previous crashes in crypto markets have happened to a large extent, independently from wider market declines and caused belief of crypto assets as being uncorrelated to the wider markets, the recent drop has mirrored that of the US stock market.

Adding to the above are the ongoing concerns relating to:
• **Difficulty in assessing intrinsic value of digital assets:** A key reason why some people are still doubtful when it comes to using or investing in cryptocurrencies is because these currencies do not have a properly identifiable intrinsic (or true) value.

• **Uncertainty over what drives the performance:** What is important to remember for many Cryptocurrencies (but especially in the case of meme-coins) is that very often, the major part of the value creation is driven by hype or speculation and as the hype shifts from one coin to the other, so does the performance and value. As the number of cryptocurrencies have surged, so has the number of coins having little or no utility.

Welcome back to reality…. Higher Returns come with HIGHER RISKS!

While we have seen (and heard) much of the reward side of cryptocurrencies, the risk and volatility side are gradually becoming more visible as evidenced by the recent events. This could further evolve as the market develops with new players, changes in regulation and crypto-related products (such as the recent launch of Bitcoin ETFs). To what extent this will persists is, as many other aspects of cryptocurrencies, quite unknown and unpredictable. **Potential investors should be comfortable with the above factors before dipping their toes into cryptocurrencies and the like.**
One thing which we can be sure about is that the concept of risk-reward trade-off is REAL…it has been observed across economies, asset classes and generations. Can the Crypto World escape this reality? Only time will tell.

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