

October 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 31 October)

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)	622.4	1.0%	-0.3%	17.0%	12.3%	9.4%
MSCI The World Index	9,565.4	5.7%	19.4%	40.4%	18.2%	15.5%
MSCI All Country World Index	383.3	5.1%	16.8%	37.3%	17.5%	14.7%
MSCI EFM Markets Africa	1,154.6	0.3%	4.9%	26.1%	6.1%	2.1%
MSCI ACWI ESG Leaders Index	2,659.8	6.6%	19.5%	38.7%	19.1%	15.3%
S&P 500	4,605.4	6.9%	22.6%	40.8%	19.3%	16.7%
S&P 500 ESG Index	509.7	8.3%	26.5%	44.5%	23.3%	20.1%

*annualised

EuroStoxx 50 (in EUR)	4,250.6	5.0%	19.6%	43.7%	10.0%	6.8%
FTSE 100 (in GBP)	7,237.6	2.1%	12.0%	29.8%	0.5%	0.8%

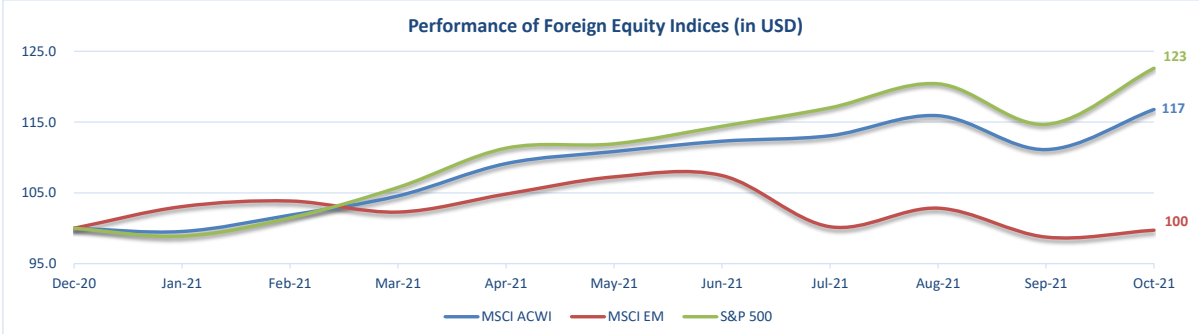
Strong corporate earnings gave investors confidence in a year-end rally. After recording poor returns in the previous month, Foreign Equities registered positive returns in October. The MSCI All Country World Index and the MSCI World Index rose by 5.1% and 5.7% (in USD terms) during the month. The MSCI Emerging Markets Index gained 1.0%.

In the United States, the major equity indices fared well and rose to record highs in October. The S&P 500 index and the S&P 500 ESG Index gained 6.9% and 8.3% respectively in October. Investors focused on earnings, rather than cost pressures and labour shortages. 66% of listed US companies managed to beat forecasts on both sales and earnings per share. Accordingly to Refinitiv data, earnings from S&P 500 companies are expected to grow by 32.4% during the last quarter of 2021, compared to a year ago (source: Reuters).

The US stock market gains was led up by technology stocks, with Tesla being an outperformer. The Nasdaq 100 Index was up by 7.9% in October.

Tesla reported quarterly records for both revenue (USD 13.8bln) and net profit (USD 1.6bln). Tesla also became the first carmaker to pass a stockmarket value of USD 1 trillion.

Netflix added another 4.4mln subscribers in the third quarter, taking its customer base to 214mln. On the other hand, disappointing earnings reports from Amazon and Apple led to a fall in their share prices. As a result, Microsoft became the most valuable publicly traded company in the world with a market capitalisation of USD 2.49 trillion on 29 October 2021 (source: CNBC).



The European Central Bank (ECB) kept interest rates and its monetary policy stance unchanged, despite ongoing inflationary pressures. Also supported by positive corporate earnings announcements, the EuroStoxx 50 was up by 5.0% (in EUR terms) in October, with all sectors finishing in positive territory (source: CNBC). Amid persistent energy prices, the inflation rate in Europe rose 4.1% in October, hitting a 13-year high (source: Euronews).

London's FTSE 100 index marked its highest close in 20 months and gained 2.1% in October, aided by gains in most bank stocks and a weaker pound against other hard currencies.

Currencies

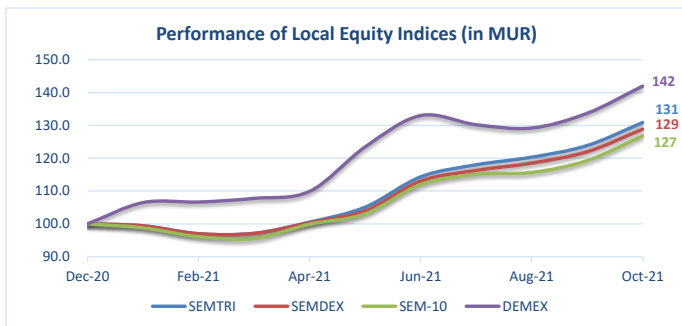
In MUR	Current Value (MUR)	Past Month	Last month	Last 3 months	Last 12 Months	Last 3 months
GBP	58.76	57.08	2.9%	10.0%	14.1%	10.2%
USD	42.83	42.64	0.4%	8.7%	7.0%	7.3%
EUR	49.75	49.25	1.0%	3.2%	6.8%	8.3%

*annualised

All the three currencies appreciated against the Rupee in October. While the Pound registered the biggest appreciation of nearly 3%, the USD climbed modestly by 0.4% relative to the MUR during 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	2,123.8	5.6%	28.8%	44.6%	-1.8%	3.3%
SEM-10	392.7	6.3%	26.8%	43.7%	-3.0%	2.7%
DEMEX	303.6	6.2%	42.0%	55.3%	8.9%	8.9%
SEMTRI	8,328.2	5.7%	30.9%	47.5%	0.6%	6.0%
DEMTRI	454.7	6.2%	44.4%	58.8%	11.8%	12.1%
ALEX 20	1,107.5	6.7%	33.2%	53.6%	-0.7%	4.1%
ALCAPEX 12	1,718.7	9.2%	42.8%	68.1%	2.8%	5.5%
SEMSI	115.6	6.1%	27.3%	46.7%	-2.2%	N/A



On 1 October, Mauritius re-opened its borders. Local stocks continued on a positive trend. The SEMDEX and SEMTRI was up by 5.6% and 5.7% respectively.

The DEMEX also rose by 6.2% for the month under review.

Year-to-date, the DEMTRI recorded the largest gain of around 44.4%. In comparison, the SEMTRI rose by 30.9% over the same period.

During October, net foreign selling on the Official Market amounting to MUR 188.5mln.

Removal of Mauritius from the grey list

On 21 October, the Financial Action Task Force (FATF) announced the removal of Mauritius from its "grey list". Note that the "grey list" is a list of jurisdictions with strategic deficiencies in their approach to AML/CFT and under increased monitoring by the FATF.

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	169.2	0.5%	5.8%	5.8%	3.1%

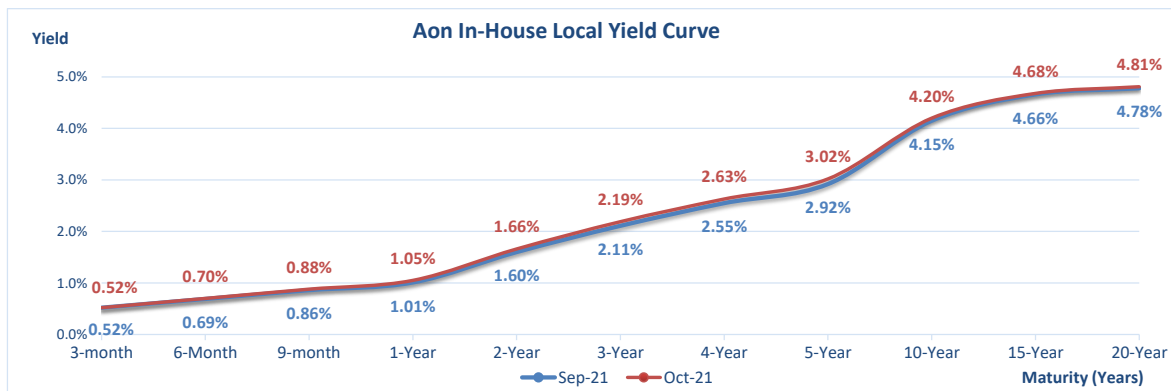
The above figures represent the CPI as at 31 October 2021. Year-on-year inflation worked out to 5.8% in September 2021, compared to 3.2% in October 2020. (source: Statistics Mauritius)

Recent Issues by the BoM

Weighted Average	T-Bill Yield
91-Day	0.52%
182-Day	0.70%
364-Day	1.05%

Repo Rate	1.85%
Deposit Rate *	0.42%*

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



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

Local yields across all maturities remained fairly flat during the month. As at end-October 2021, the yield on the 5-year Government of Mauritius Bond stood at 3.05%. **The nominal yields across all maturities remained below the inflation rate.**

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	1,783.90	1.5%	-5.9%	-5.1%	13.7%	7.0%
Oil	84.32	7.4%	62.8%	125.1%	3.8%	11.8%
S&P GSCI Index	592.56	6.2%	44.7%	73.9%	9.1%	10.4%

Ahead of the Federal Reserve meeting, the **Gold price** rose by 1.5% in October. Gold price was further supported by the strengthening of the retail physical market of the yellow metal in places like India and China during the festive season.

The **oil price** was up by 7.4% during October on expectations of strong demand. The OPEC and its allies continue to stick to gradual, monthly production increases only, despite calls for more oil from major consumers. Saudi Aramco, the world's largest oil company recorded huge profits for the third quarter. Its profit figures nearly tripled compared with the same period a year earlier, as demand for the fuel recovers from the pandemic and prices soar (*source: The New York Times*).

A perfect storm of catalysts from delayed production increases, strong global demand, and logistics issues were still very much in play in global energy markets. Surging energy prices pushed up the S&P GSCI Index by 6.2% in October. **Year-to-date, the index was up by around 45%, marking its best performance over the first 10 months of a calendar year in its 30-year history** (*source: Seeking Alpha*).

Alternatives: Foreign Indices	Current Value (USD)	Last month	Year-to-Date	Last 12 Months	Last 3 Years* <i>*annualised</i>
S&P Global Property	597.23	4.7%	18.3%	37.1%	10.2%
S&P Listed Private Equity	569.03	10.0%	44.5%	84.7%	26.6%
S&P Global Infrastructure	6,040.10	3.6%	10.8%	24.9%	9.4%

The Bloomberg Barclays Global Aggregate Bond Index further fell by 0.2% in October. Amid rising yields since the start of the year, the index has lost 4.3% year-to-date. Reduced stimulus and anticipation of interest rate hikes tend to further push government bond yields up.

As at end-October, yield on the 10-Year US Treasury Bond stood at 1.56%, compared to 0.92% as at end of last year.

Foreign Bond Indices	Current Value (USD)	Last month	Year-to-Date	Last 12 Months	Last 3 Years* <i>*annualised</i>
S&P Africa Sovereign Bond	953.29	0.2%	4.8%	6.9%	11.5%
S&P 500 Bond Index	536.21	0.2%	-0.7%	2.4%	8.0%
S&P International CBI	146.63	0.6%	-5.0%	2.3%	5.6%
Bloomberg Barclays Global Aggregate Bond Index	534.74	-0.2%	-4.3%	-1.2%	4.5%

Other Indices	Current Value (USD)	Last month	Year-to-Date	Last 12 Months	Last 3 Years* <i>*annualised</i>
Renaissance IPO Index	752.50	6.6%	6.8%	36.3%	38.1%

Year-to-date, the S&P Listed Private Equity Index gained 44.5%. In comparison, the S&P 500 Index rose by 22.6% over the same period.

The Renaissance IPO Index gained 6.6% in October. The global market for initial public offerings (IPOs) continues to grow. Over 2000 IPOs have raised a combined USD 421bn globally as of the end of September, a record high (*source: ETF Trends*). The proceeds raised so far this year is already double those during the same period last year, according to Refinitiv data.

General News

The First Bitcoin ETF

On 19 October, US listed its first bitcoin-linked exchange traded fund (ETF). Investments are made in bitcoin futures, not the cryptocurrency itself. The launch of the ETF pushed the price of a bitcoin to a record high of USD 66,893 on 20 October. During the month, the digital currency rose by nearly 40%!

Economic Growth

Economic growth in the US slowed to an annualised 2% in the third quarter of 2021 as the fast-spreading Delta variant of coronavirus dampened consumer spending. Meanwhile, core inflation, excluding food and energy prices, rose by 0.2% in September and 3.6% over the previous 12 months, its highest rate of increase since May 1991.

China's GDP grew by just 4.9% in the third quarter, year-on-year. Industrial production slowed down in September. Moreover, covid-19 outbreaks, leading to severe localised lockdowns, also hurt the economy.

This month's Article

The Rise of Green/Sustainability Bonds in a Post-Covid World

2020 was a record-breaking year for the green, social, sustainability and sustainability-linked (GSSS) bond market. Sustainability bonds benefit companies, investors, and the planet as a whole. According to figures from the Environmental Finance Bond Database, total GSSS bond issuance nearly doubled and crossed USD 600bn in 2020 compared to 2019. Although some of this growth is attributable to financing related to the Covid-19 pandemic, there has nonetheless been greater diversity in sustainability bond issuance. In 2020, these bonds were issued to raise funds for the fight against the Covid-19 outbreak and for mitigating its negative economic and social impact. At the same time, the exceptional Covid-19 situation made the market become more aware of the importance of including social aspects in corporate and investment strategies.

Governments were the biggest issuers of social bonds, seeking to help their economies recover from the pandemic-induced downturn. The pandemic certainly helped grow the sustainability bond market, most notably in sovereigns and banks. Investors were willing to accept lower interest rates for instruments that potentially creates positive externalities. Since the outbreak of the pandemic, there has been a great deal of discussion around 'building back better'.

Sustainability bonds continued to surge in 2021 as well. While green bond issues have remained the dominant theme during recent years, there are now more issues of social and sustainability bonds. Social bonds, meant to raise money to promote positive social outcomes, also tripled in value this year compared to the first half of 2020, according to the Financial Times.

These issues are bound to grow worldwide given higher focus on sustainable development. The ongoing COP26 has been an opportunity for world leaders to emphasise on their set targets as well as to take further collective actions to fight climate change. Recall that the US had now re-entered the Paris Agreement. Several companies announced their own zero-carbon targets. **This is likely to result in significant growth in the issue of sustainability bonds.** In addition to managing their corporate social responsibility reputations, companies also need to respond to institutional investors/ investment managers who are becoming more focused on the impact of environmental, social and governance (ESG) risks on their portfolios. During 2015, the 2030 Agenda for Sustainable Development was also adopted by all United Nations Member States, including Mauritius. This Universal Agenda, comprising 17 Sustainable Development Goals (SDGs) and 169 targets to be met by 2030, set out a transformative plan of action and established a global partnership towards Sustainable Development.

USA, Netherlands and France were the three biggest issuing countries in the sustainability bond market in 2020. **Moody's furthermore expects this momentum to continue as the global economy continues to rebound and issuers increasingly pursue debt financing for environmentally friendly projects.**

In Mauritius however, we are still at an early stage. Issues of local sustainability bonds are rare. Investors can however invest in sustainability bonds issued by foreign entities.

Nevertheless, we expect to see more local issues of sustainability bonds in the medium term. Greater financial education of investors, issuers and the media will be required, and this could inevitably take some time.

The Bank of Mauritius has issued a "Guide for Issuance of Sustainable Bonds in Mauritius" with the aim of building a green and sustainable financial ecosystem. The guide provides an overview of the requirements and process for the issuance of sustainable bonds. These guidelines should definitely pave the way for the issue of sustainability bonds in Mauritius.

Sustainable Bonds therefore remain more relevant than ever as governments and companies further sharpen their focus on a sustainable recovery and investor demand continues to be strong in a post-COVID world. Global investors are increasingly applying non-financial factors such as ESG to identify risks and growth opportunities. It is evident that such bond issues will help to contribute to a better world and save the planet.

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.