

Aon Hewitt Investment Dashboard - June 2020

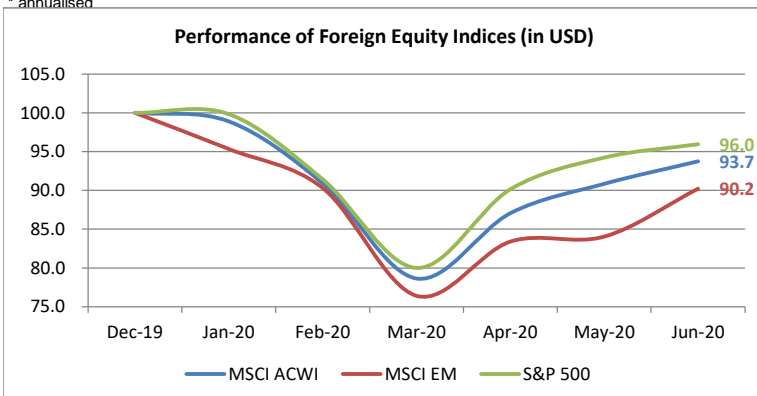
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Note: The charts below show the year-to-date performance of local and foreign equity indices on a time-series basis (i.e. 31 Dec 19 to 30 June 20).

Foreign Equity Indices

30/06/2020	Current Value (USD)	% Change in				
		Last Month	Last 3 months	Last 12 Months	Last 3 Years *	Last 5 Years *
MSCI EM (Emerging markets)	475.94	7.4%	18.1%	-3.4%	1.9%	2.9%
MSCI The World Index	6,511.10	2.6%	19.4%	2.8%	6.7%	6.9%
MSCI All Country World Index	264.66	3.2%	19.2%	2.1%	6.1%	6.5%
S&P 500	3,100.29	1.8%	20.0%	5.4%	8.6%	8.5%
S&P 500 ESG Index	332.01	2.6%	21.2%	10.8%	12.2%	11.3%
EuroStoxx 50	3,234.07	6.1%	16.0%	-6.9%	-2.1%	-1.1%
FTSE 100	6,169.74	1.5%	8.8%	-16.9%	-5.5%	-1.1%
MSCI EFM Markets Africa	874.60	9.2%	25.0%	-23.8%	-7.2%	-5.9%

* annualised



After major sell-offs in the first three months of 2020, global markets subsequently rebounded and closed the second quarter on a high note. **Positive momentum continued in June; all major foreign equity rose on improved economic optimism.**

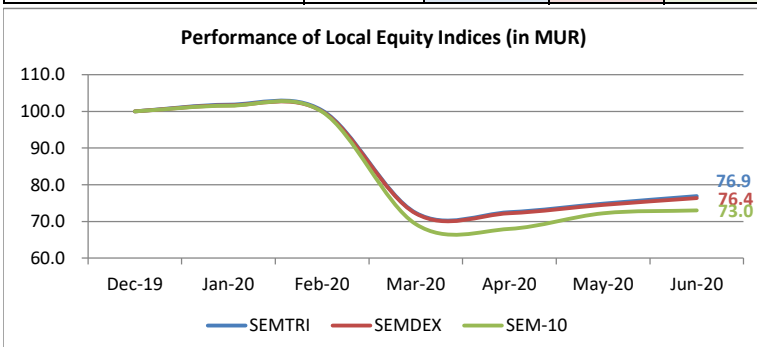
The MSCI World Index and MSCI All Country World Index gained 2.6% and 3.2% respectively in June. Over the month, the MSCI Emerging and Frontier Markets Africa Index also rose significantly and recorded the highest return of 9.2%. Better than expected economic data from China, Australia and the eurozone helped to lift investors' sentiment globally. The EuroStoxx 50 gained 6.1% in June. The S&P 500 rose by 1.8% as positive vaccine developments and favourable employment data overweighed concerns over a jump in Covid-19 cases in the US.

The US stock markets also posted their best quarter since 1998. **Over the last 3 months, the S&P 500 rose by 20% while the NASDAQ Composite Index also gained around 30%, marking a new high since 1999. This rally was fueled by the Fed's aggressive support for the financial markets as well signs of economic recovery.**

While financial markets are soaring, the World Health Organization (WHO) advised caution as the worst is yet to come. The number of Covid-19 cases continued to rise in countries around the world, fueled by a surge in Latin America and the US. On 1st July, the US posted a record daily increase of 50,000 cases. (source: Financial Times)

Local Equity Indices

30/06/2020	Current Value (MUR)	% Change in				
		Last Month	Last 3 months	Last 12 Months	Last 3 Years *	Last 5 Years *
SEMDEX	1,662.61	2.5%	5.8%	-21.9%	-7.8%	-3.4%
SEM-10	313.84	1.1%	5.4%	-24.9%	-8.7%	-3.7%
DEMEX	206.85	4.2%	-5.1%	-9.4%	-0.9%	0.0%
SEMTRI	6,390.70	2.7%	6.3%	-19.4%	-5.1%	-0.5%
DEMTRI	301.26	4.5%	-4.6%	-7.1%	2.2%	3.1%
ALEX 20	827.43	3.2%	3.1%	-23.9%	-8.5%	-3.3%
ALCAPEX 12	1,198.62	4.5%	2.8%	-19.9%	-8.0%	-2.2%
SEMSI	91.49	2.0%	6.3%	-24.6%	-8.2%	N/A



Similarly on the local equity markets, the major indices registered positive returns in June and closed the second quarter of 2020 higher.

In June, the SEMDEX and SEMTRI went up by 2.5% and 2.7%, respectively.

Meanwhile, the DEMEX and DEMTRI also rose by 4.2% and 4.5% during the month under review.

Recovering from their lows in March, the SEMDEX and SEMTRI both gained around 6% over the 2nd quarter of 2020. However, year-to-date, all the local equity indices remained subdued.

Rebalancing of the SEM-10: The Index Management Committee of the Stock Exchange of Mauritius selected the constituents of the SEM-10 Index for the third quarter starting July 08, 2020. We note that Medine Ltd and Alteo Ltd have replaced Phoenix Beverages and New Mauritius Hotels Ltd in the Index. It is also worth highlighting that there are currently no hotel companies in the SEM-10.

On 1st July, the World Bank classified Mauritius as a high-income country for the first time, joining Seychelles as the second high-income economy in Africa. This is based on Gross National Income (GNI) per capita (Mauritius' GNI per capita for 2019 is USD 12,740, a 3.5% increase over the 2018 figure). **It is, however important to note that this classification is done over 2019 data and thus does not yet reflect the economic impact of Covid-19.** (Source: The World Bank)

Commodities
 30/06/2020

	Current Value (USD)	% Change in				
		Last Month	Last 3 months	Last 12 Months	Last 3 Years *	Last 5 Years *
Gold	1,800.50	3.7%	12.8%	27.5%	13.2%	9.0%
Oil	41.15	16.5%	81.0%	-38.2%	-5.0%	-8.3%
Sugar	11.84	8.5%	13.6%	-3.9%	-4.7%	-1.0%

Gold price continued to rally, **rising by 3.7% in June**. On 30th June, gold traded at above USD 1,800 an ounce, marking a new high since 2011. Demand for the safe haven asset was driven by fresh coronavirus outbreaks, as well as a need for inflation hedges due to expansionary monetary policy.

In June, oil prices rose by 16.5% on higher demand and favourable employment data in the US. Oil posted its best quarter in nearly 30 years, bouncing back from this year's historic price crash. **Note that the oil price is still down by nearly 40% over the past 12 months**. *Read more about the volatility in oil prices since the beginning of the pandemic in this month's article.*

With the economies re-opening worldwide, **sugar prices rose by 8.5% in June**.

30/06/2020	Weighted Average:	T-Bill Yield
91-Day		Not Issued
182-Day		0.54%
364-Day		1.04%
30/06/2020		
Repo Rate		1.85%
Deposit Rate *		1.56%*

*Weighted Average Deposit Rate of Banks as at February 2020

In the current low-yield environment, bond prices continue to rise. YTD, the Bloomberg Barclays Global Aggregate Bond Index was up by 3.0%.

30/06/2020	Current Value (USD)	Last Month	Last 3 months	Last 12 Months
Foreign Indices				
S&P Global Property	436.21	2.6%	10.4%	-14.2%
S&P Listed Private Equity	311.45	3.1%	27.5%	-4.3%
S&P Global Infrastructure	4,664.01	-1.2%	13.9%	-17.5%

Foreign Bond Indices				
S&P Africa Sovereign Bond	844.06	0.9%	7.2%	10.6%
S&P 500 Bond Index	516.32	1.8%	8.2%	9.7%
S&P International CBI	135.54	2.1%	10.1%	1.9%
Bloomberg Barclays Global Aggregate Bond Index	526.93	0.9%	3.3%	4.2%

Currencies

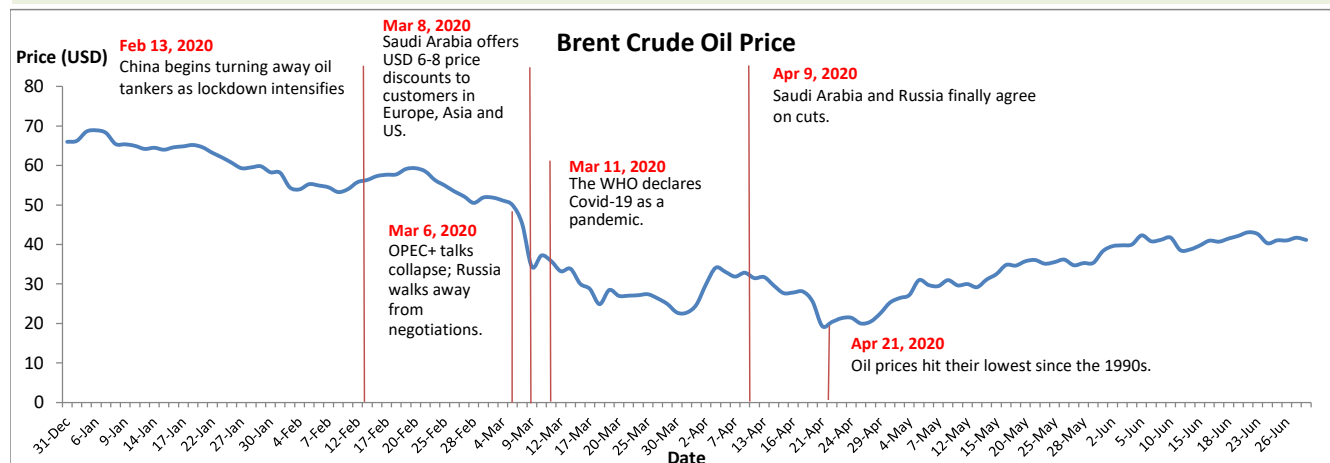
30/06/2020	In MUR		% Change in			
	Current Value	Past Month	Last Month	Last 3 months	Last 12 Months	Last 3 Years *
GBP	49.21	49.16	0.1%	2.0%	9.1%	3.1%
USD	40.18	40.04	0.4%	2.3%	12.5%	5.1%
EUR	44.93	44.22	1.6%	4.3%	11.5%	4.4%

In June, USD, GBP and EUR continued to gain value, relative to our local currency. Year-to-date, the USD and EUR both appreciated by just above 10% against the MUR while the GBP also gained 3.6% against the MUR.

Article: Coping with a dual shock: Covid-19 and the Oil Prices

Since the start of 2020, global oil markets have seen huge volatility in prices. Turmoil in oil markets escalated in February as the producers of the Organization of the Petroleum Exporting Countries (OPEC) tried to negotiate a production cut, amid concerns that COVID-19 could impact demand. Russia walked out on these negotiations. Subsequently, Saudi Arabia responded by undercutting oil prices by USD 6-8 per barrel. On 8th March, oil prices fell drastically by 25%, **marking their biggest one-day drop in almost 30 years**. With the world going into lockdown in early March, demand for oil plunged further. On the supply side, producers continue to pump. In April, the price for West Texas Intermediate (WTI) crude (the US benchmark oil price) **went into the negative territory for the first time in history**, as a result of reduced demand and exhausting oil storage capacity. This implied that producers were willing to pay traders to take oil off their hands. Never before had the oil industry come this close to testing its storage capacity to its limit.

On 9th April, a month after COVID-19 was declared a pandemic, Russia and Saudi Arabia finally settled their differences. However, it was too late for that oil prices had already fallen to their lowest levels. This is illustrated in the following chart.



Post-May, production cuts by OPEC and its allied countries as well as the re-opening of economies supported oil prices. Nevertheless, prices as at end-June were **still far below the pre-pandemic levels**. (Source: Aon's *The One Brief, June 2020, Fuel to the Fire: Covid-19 and the oil market turmoil*)

The heightened volatility in oil prices has had widespread economic fallout. While some businesses are benefitting from lower fuel prices and production costs, oil-exporting economies are having a hard-time to balance their budget.

The negative supply and demand shocks associated with Covid-19 are expected to be relatively short-lived, yet dramatic. With the lockdown measures easing up across the globe, global markets are flaring higher. However, the pandemic seems to be far from being over. In fact, the situation is getting worse in a number of countries, such as the United States and Latin America. So, what does this imply for oil? The world is foreseeing the pandemic to have a lasting impact on global oil demand. There is **growing skepticism** about the global oil demand in a post-pandemic world. This has put many oil companies under significant pressure. In June, Royal Dutch Shell, the largest company in terms of market capitalisation in FTSE 100 announced expected impairment charges amounting up to USD 22bln due to poor outlook for oil prices. (Source: *Sky News*)

The pandemic has also brought about insightful discussions about the negative impacts of energy consumption and businesses are adapting to build more resilience. More and more companies and economies have expressed growing interest towards renewable and green energy. **Therefore, recovery in the oil industry does not appear to be easy.**

Consumer Price Index (Mauritius)	Current Value	% Change in			
		Last Month	Year-to-date (YTD)	Last 12 Months	Last 3 Years (Annualised)
30/06/2020	119.19	-2.0%	-2.0%	1.7%	1.1%
CPI	119.19	-2.0%	-2.0%	1.7%	1.1%

The above figures represent the CPI as at end-June 2020. The year-on-year inflation rate for June 2020, as measured by the change in the CPI for June 2020 relative to June 2019 works out to 1.7% (Source: *Statistics Mauritius*).

General News

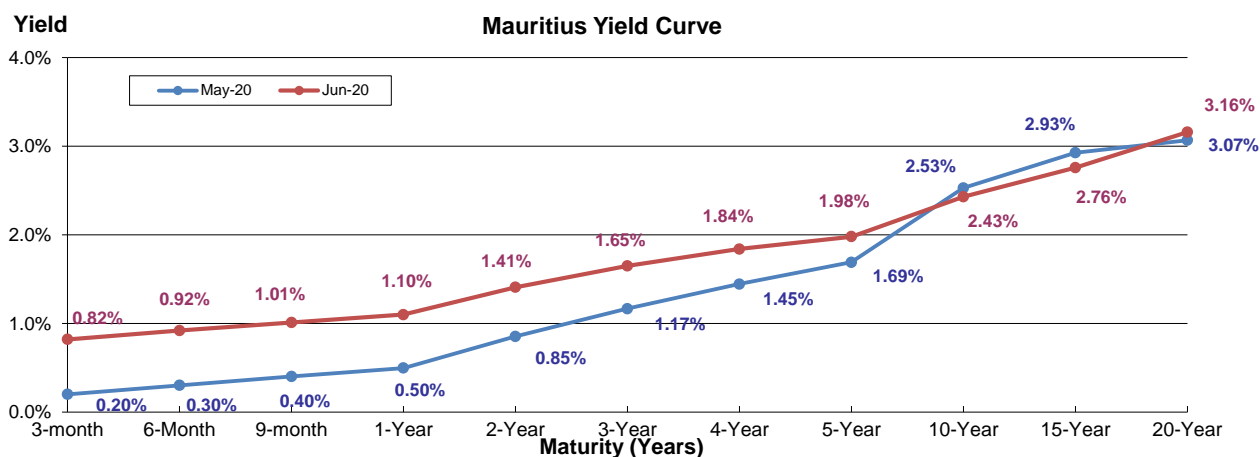
The US economy created 4.8 million jobs in June

As at end-June, the Bureau of Labor Statistics reported a fall in US unemployment rate from 13.3% in May to 11.1% (Source: *BBC*). As the economy re-opened, the leisure and hospitality sectors added millions of jobs in the economy. Moreover, the resumption of routine medical appointments helped healthcare employment rise by 568,000 while the reopening of factories saw a rebound in hiring by manufacturing companies.

However, despite two consecutive months of jobs growth, employment is still 15mln below its pre-pandemic level. Around USD 108.5bln were paid in unemployment benefits in June. This was the highest amount for a single month since the start of the pandemic.

Accounting Scandal: Wirecard's Collapse

Wirecard, a German financial technology giant collapsed after it was brought down by an accounting fraud. The company filed for insolvency proceedings, only days after it claimed to have around USD 2bln on its balance sheets. These funds have probably never existed.



Aon Hewitt has developed an in-house Yield Curve based on average buy-and-sell yields for Government of Mauritius instruments. Key information is obtained from primary dealers. **We note that over the month, yields on treasury instruments of maturities shorter than 10 years have picked up.** Yield on a 1-year government bond stood at 1.10% as at end-June 2020, rising by 0.60% over the month.

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, etc.