

Monthly Market Wrap

I February 2022

Equity index returns (% local currency)

Index	1M	3M	6M	YTD	1Y	3Y	5Y	5Y Std Dev
S&P 500	-3.1%	-4.2%	-3.3%	-8.2%	+14.8%	+57.1%	+85.1%	15.7%
MSCI World	-2.7%	-4.0%	-5.2%	-7.9%	+9.2%	+42.8%	+62.0%	15.4%
MSCI World Small Cap	+0.1%	-4.2%	-8.7%	-7.5%	-1.2%	+31.5%	+47.6%	18.9%
MSCI Europe	-3.1%	-1.2%	-2.5%	-6.3%	+12.9%	+20.4%	+21.0%	14.4%
MSCI EM	-3.1%	-3.4%	-10.5%	-4.9%	-12.5%	+11.5%	+25.1%	16.6%
MSCI AC Asia	-1.3%	-3.9%	-9.6%	-5.6%	-11.7%	+14.9%	+25.7%	13.9%
SEMDEX	+1.1%	+7.4%	+10.5%	+2.9%	+35.1%	-2.1%	+12.3%	15.7%
DEMEX	+1.1%	+1.5%	+11.9%	+1.1%	+35.6%	+30.9%	+48.1%	10.6%

Fixed income index returns (% local currency)

Index	1M	3M	6M	YTD	1Y	3Y	5Y	5Y Std Dev
Barclays Global Aggregate Bond	-1.2%	-3.3%	-5.6%	-3.2%	-5.3%	+6.6%	+12.4%	4.2%
Barclays US Aggregate Bond	-1.1%	-3.5%	-4.1%	-3.2%	-2.6%	+10.2%	+14.3%	3.3%
Barclays High Yield bond	-2.4%	-3.1%	-6.6%	-4.9%	-3.9%	+9.3%	+18.9%	8.8%
JP Morgan EMU IG Bond	-1.9%	-4.4%	-4.5%	-2.9%	-3.9%	+4.6%	+7.5%	3.9%
JP Morgan EM Bond	-6.5%	-7.8%	-11.5%	-9.2%	-7.1%	+3.1%	+10.4%	9.8%
FTSE Asian Broad Bond	-2.2%	-4.3%	-7.0%	-4.5%	-5.6%	+9.1%	+15.1%	4.7%

Commodity prices

Commodity	Current \$	1M
WTI Crude Oil / Bbl	95.72	+8.8%
Brent Crude Oil / Bbl	100.99	+10.7%
Natural Gas / mmBtu	4.40	-9.7%
Copper / oz	444.45	+2.8%
Silver / oz	24.45	+8.8%
Gold / oz	1,908.99	+6.2%

SEMDEX sector performance (%)

Index	Weight	1M
Financials	38.3%	+1.3%
Commerce	16.3%	+1.2%
Industry	7.6%	+0.6%
Investments	24.2%	+4.8%
Leisure & Hotels	6.8%	+8.8%
Property	5.8%	+1.8%
Sugar	0.5%	+14.3%
Transport	0.3%	+1.8%
Foreign	0.2%	0.0%

Secondary market yields - GoM

Tenor	91D	182D	364D	3Y	5Y	10Y	15Y	20Y
Current	0.55%	0.65%	0.75%	2.17%	2.90%	4.08%	4.37%	4.50%
-1M	0.53%	0.65%	0.75%	2.23%	2.96%	4.12%	4.40%	4.63%

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Selected economic data*

Index	Manufacturing PMI		Service PMI		Consumer confidence		CPI YoY	Policy rate	Unemployment
	Current	-1M	Current	-1M	Current	-1M	Current	Current	Current
US	57.30	55.50	56.50	51.20	110.50	111.10	7.9%	0.00%-0.25%	3.8%
Germany	58.40	59.80	55.80	52.20	NA	97.00	5.1%	0.00%	5.3%
France	57.20	55.50	55.50	53.10	98.00	99.00	3.6%	0.00%	7.4%
UK	58.00	57.30	60.50	54.10	-26.00	-19.00	5.5%	0.50%	4.1%
Japan	52.70	55.40	44.20	47.60	35.00	36.60	0.5%	-0.10%	2.8%
China	50.40	49.10	50.20	51.40	NA	121.50	0.9%	4.35%	4.0%
India	54.90	54.00	51.80	51.50	NA	NA	6.0%	4.00%	8.1%

*based on latest available data

SBM Fund performance (% local currency)

Fund	Currency	Strategy	NAV	1M	3M	1Y	5Y Std Dev
SBM Perpetual Fund	MUR	Local fixed income	217.48	+0.3%	+0.9%	+3.4%	0.3%
SBM Yield Fund	MUR	Global fixed income	11.85	+0.6%	+1.4%	-5.1%	7.4%
SBM Universal Fund	MUR	Multi-asset	32.12	-0.1%	+0.8%	+15.5%	7.8%
SBM Growth Fund	MUR	Global equities	14.04	-0.2%	+0.1%	+20.3%	12.6%
SBM India Fund (Class B)	USD	Indian equities	133.18	-6.3%	-3.2%	+10.1%	28.5%

Commentary

Local equity indices posted positive performances in February with the SEMDEX and DEMEX closing the month at 2,159.49 and 308.97 points, equivalent to respective returns of 1.1% and 1.0%. The main leaders, that is, companies which contributed to the positive performance of the SEMDEX were MSE, ENL and LUX while the main laggards were MCBG, MUAL and IBL. The top three gainers in terms of price returns were MSE (+21.9%), MTMD (+14.3%) and SUN (+12.8%) and the top three losers were MUAL (-13.3%), NIT (-9.5%) and CAUDAN (-6.3%). The price-earnings ratio and dividend yield of the SEMDEX stood at 14.82x and 2.84% respectively, as at 28 February against corresponding figures of 14.19x and 2.83% as at 31 January. The stock market registered net foreign investments of MUR 34.5M during the month, mainly driven by inflows in ADBF ETF and Newgold ETF.

The geopolitical tensions between Russia and Ukraine rippled through global markets, spurring demand for safe haven assets, exacerbating market volatility and causing an oil price shock. While the global economy is already suffering from elevated inflation and the lingering pandemic, the rally in commodity prices is likely to heighten inflationary pressures and dent economic growth prospects. The MSCI World index posted a return of -2.7% MoM.

The S&P 500 index registered -3.1% in February, briefly entering correction territory during the month. The major GICS sectors posted negative performances during the month, with Communication Services, Information Technology and Real Estate being main decliners, while the energy sector continued its rally with a gain of 6.4% MoM. The IHS Markit Purchasing Managers' Index (PMI) edged up from 55.5 in January to 57.3 in February, signalling stronger improvement in operating conditions. Although the uptick in output growth was driven by stronger demand and easing supply chain disruptions, output remains constrained by the ongoing raw material and labour shortages. The unemployment rate fell to 3.8% in February against a previous reading of 4.0% in January, nearing its pre-pandemic record of 3.5%.

The Eurostoxx 50 index recorded a return of -6.0% MoM with banks leading declines. The intensifying geopolitical tensions between Russia and Ukraine sparked a bout of risk aversion in February. The DAX and FTSE MIB indices registered respective MoM returns of -6.5% and -5.2% while the CAC 40 index posted -4.9%. The Eurozone manufacturing sector gained further momentum after the PMI reached 58.2 in February against 58.0 in the preceding month – output expansion accelerated to a six-month high, supported by pent-up demand and improvement in supplier delivery times. In the UK, the FTSE 100 index posted a return of -0.1%. PMI increased to a three-month high of 58.0 in February (January: 57.3) as the end of restrictions and easing supply chain pressures fuelled a pick-up in output and new orders.

The Nikkei 225 index posted a return -1.8% in February amid a slew of headwinds from the rising number of Covid-19 cases to geopolitical concerns. PMI dropped to 52.7 in February against 55.4 in January - remaining above the 50 threshold. The renewed rise in the number of Covid-19 cases and the supply chain disruptions weighed on production.

Emerging equities underperformed developed markets during the month with the MSCI Emerging Markets index posting a return of -3.1%. The CSI 300 index delivered a performance of -1.1% MoM in local currency and -0.3% in USD. Chinese manufacturing output improved in February backed by an overall improvement in business conditions - PMI rose from 49.1 in January to 50.4 in February, bouncing back into expansionary territory. In India, the BSE Sensex registered a performance of -3.0% in February. The Indian manufacturing sector improved in February with PMI edging up to 54.9 (January: 54.0). Output and new orders expanded at stronger rates over the month, buoyed by strengthening demand and rise in new business inflows.

With respect to fixed income, the Barclays Global Aggregate Bond index posted a return -1.2% MoM. Although markets have shifted away from pricing in an aggressive wave of tightening by the Fed in March, six to seven rate hikes are still being projected. The escalating geopolitical uncertainty is, however, decreasing the odds that the Fed would hike rate by half a percentage point in March. The US 10-year Treasury yields briefly rose to 2.00% during the month before closing at 1.83% (January 2022: 1.78%). The European Central Bank (ECB) kept the interest rate unchanged on the main refinancing operations and the marginal lending facility and the deposit facility at 0.00%, 0.25% and -0.50%, respectively. Latest comments from ECB officials, nonetheless, indicate a possible rate hike towards the end of 2022.

On the commodity side, the S&P GSCI index gained 8.8% MoM in the wake of sanctions announced against Russia amid the Russian-Ukraine conflict. Brent and WTI recorded corresponding returns of 10.7% and 8.6% MoM – oil prices surged past \$100/barrel, hitting its highest level since 2015. While oil supply was already struggling to meet the demand recovery following the reopening of economies, disruptions in the Russian oil flows could worsen the tightness. Industrial materials registered positive performances with silver and copper gaining 8.8% and 2.8%, respectively. Regarding precious metals, gold rose above \$1,900 as soaring inflation and intensifying geopolitical tensions pushed up demand for safe-haven asset – the yellow metal settled over its 13-month high with a return of 6.2% MoM.

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