

# Monthly Market Wrap

| June 2022

## Equity index returns (% local currency)

Index	1M	3M	6M	YTD	1Y	3Y	5Y	5Y Std Dev
S&P 500	-8.4%	-16.4%	-20.6%	-20.6%	-11.9%	+28.7%	+56.2%	16.9%
MSCI World	-8.8%	-16.6%	-21.2%	-21.2%	-15.6%	+16.9%	+32.9%	16.5%
MSCI World Small Cap	-10.1%	-17.6%	-23.2%	-23.2%	-23.1%	+8.5%	+17.4%	19.9%
MSCI Europe	-7.9%	-10.2%	-15.5%	-15.5%	-9.0%	+5.3%	+6.7%	14.8%
MSCI EM	-7.1%	-12.4%	-18.8%	-18.8%	-27.2%	-5.1%	-1.0%	17.1%
MSCI AC Asia	-6.8%	-12.4%	-18.2%	-18.2%	-24.0%	-1.3%	+2.2%	14.5%
SEMDEX	-2.8%	-3.2%	+1.4%	+1.4%	+14.0%	-0.1%	+0.2%	15.9%
DEMEX	-3.1%	-5.5%	-3.2%	-3.2%	+4.1%	+29.6%	+39.0%	10.8%

## Fixed income index returns (% local currency)

Index	1M	3M	6M	YTD	1Y	3Y	5Y	5Y Std Dev
Barclays Global Aggregate Bond	-3.2%	-8.3%	-13.9%	-13.9%	-15.2%	-9.3%	-2.7%	5.2%
Barclays US Aggregate Bond	-1.6%	-4.7%	-10.3%	-10.3%	-10.3%	-2.8%	+4.5%	4.0%
Barclays High Yield bond	-7.5%	-11.9%	-16.9%	-16.9%	-17.8%	-7.6%	+0.7%	9.7%
JP Morgan EMU IG Bond	-1.8%	-7.2%	-12.0%	-12.0%	-12.4%	-10.0%	-2.5%	4.5%
JP Morgan EM Bond	-6.6%	-12.1%	-20.8%	-20.8%	-21.6%	-14.9%	-6.2%	10.6%
FTSE Asian Broad Bond	-2.5%	-5.3%	-11.6%	-11.6%	-13.3%	-4.3%	+4.9%	5.2%

## Commodity prices

Commodity	Current \$	1M
WTI Crude Oil / Bbl	105.76	-7.8%
Brent Crude Oil / Bbl	114.81	-6.5%
Natural Gas / mmBtu	5.42	-33.4%
Copper / oz	371.45	-13.5%
Silver / oz	20.28	-5.9%
Gold / oz	1,807.27	-1.6%

## SEMDEX sector performance (%)

Index	Weight	1M
Financials	38.9%	-3.0%
Commerce	16.4%	+0.1%
Industry	7.5%	-4.0%
Investments	23.8%	-3.4%
Leisure & Hotels	7.1%	-5.8%
Property	5.6%	-0.9%
Sugar	0.4%	-9.7%
Transport	0.0%	0.0%
Foreign	0.2%	0.0%

## Secondary market yields - GoM

Tenor	91D	182D	364D	3Y	5Y	10Y	15Y	20Y
Current	0.87%	1.07%	1.25%	2.73%	3.20%	4.57%	4.96%	5.13%
-1M	0.66%	0.86%	1.02%	2.54%	3.06%	4.47%	4.83%	5.11%

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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	52.70	57.00	52.70	53.40	98.70	103.20	9.1%	1.50%-1.75%	3.6%
Germany	52.00	54.80	52.40	55.00	83.00	84.00	7.6%	0.00%	5.1%
France	51.40	54.60	53.90	58.30	82.00	85.00	5.8%	0.00%	7.3%
UK	52.80	54.60	54.30	53.40	-41.00	-40.00	9.4%	1.25%	3.8%
Japan	52.70	53.30	54.00	52.60	32.20	32.90	2.4%	-0.10%	2.6%
China	51.70	48.10	54.50	41.40	NA	86.80	2.5%	4.35%	4.0%
India	53.90	54.60	59.20	58.90	NA	NA	7.0%	4.90%	7.8%

\*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	220.69	+0.3%	+1.0%	+3.8%	0.3%
SBM Yield Fund	MUR	Global fixed income	11.74	+0.3%	-0.5%	+3.2%	7.5%
SBM Universal Fund	MUR	Multi-asset	31.02	-1.7%	-4.8%	+0.7%	8.0%
SBM Growth Fund	MUR	Global equities	13.04	-3.0%	-8.8%	-3.5%	12.9%
SBM India Fund (Class B)	USD	Indian equities	121.03	-5.9%	-12.0%	-8.0%	28.5%

## Commentary

Local equity indices posted negative performances in June with the SEMDEX and DEMEX closing the month at 2,127.14 and 295.92 points, equivalent to respective returns of -2.8% and -3.1%. The main leaders, that is, companies which contributed to the positive performance of the SEMDEX were IBLL, TERRA and SUN while the main laggards were MCBG, LUX and ROGERS. The top three price gainers were BLL (+6.7%), TERRA (+2.8%) and SUN (+2.2%) while the top three losers were LUX (-11.6%), FINCORP (-10.4%) and MTMD (-9.7%). The price-earnings ratio and dividend yield of the SEMDEX stood at 12.74x and 3.35%, respectively, as at 30 June against corresponding figures of 12.90x and 3.23% as at 31 May. The stock market registered net foreign outflows of MUR 236.7M during the month, mainly driven by MCBG, ASCE and PBL.

Global equities tumbled in June as recession fears resurfaced and consumer confidence continued to wane. Markets remained on edge amid the strong inflationary pressures and concerns that monetary policy tightening across major economies will trigger further downside risks. The MSCI World index posted a return of -8.8% MoM.

The S&P500 index recorded a return of -8.4% for the month. The selloff was mainly driven by fears of a stickier inflation and a looming recession. Volatility remained elevated with the CBOE VIX index ending the month near the 29 level. All the 11 major industry groups ended the month in negative territory with Energy, Materials and Financials among the top losers. The S&P Global US Purchasing Managers' Index (PMI) dropped to its lowest level since July 2020 with a reading of 52.7 in June (May 2022: 57.0) amid a near-stagnation of output and a contraction in new orders. While inflationary pressures remained high, input costs and output charges eased to a three-month low.

The Eurostoxx 50 index posted a return of -8.8% MoM as soaring prices, rising inflation and the ongoing war in Ukraine continued to hurt investor sentiment. Concerns that an aggressive policy tightening will spark an economic slump further contributed to the risk aversion. The DAX and FTSE MIB indices recorded respective MoM returns of -11.2% and -13.1% while the CAC 40 registered -8.4%. Operating conditions worsened in June as both new business intakes and export orders declined, with the broad-based slowdown gathering pace across all the constituent nations - PMI fell from 54.6 in May to 52.1 in June, its lowest reading since August 2020. The weakening demand is mainly attributable to consumers growing more cautious of their spending patterns amid the uncertain economic outlook and rising prices. In the UK, the FTSE 100 index posted a return of -5.8%. The slowdown in the manufacturing sector continued in June amid a tougher economic backdrop, flat domestic demand, weaker exports, war in Ukraine, logistics disruption and persistently high inflationary pressures. PMI fell to a two-year low of 52.8 in June against a previous reading of 54.6. Business confidence dipped to its lowest level in two years as the number of firms expecting production to rise over the next year fell to 47% (May 2022: 55%).

In Japan, the Nikkei 225 index registered a return of -3.3%. PMI edged down from 53.3 in May to 52.7 in June, pointing to a softer expansion of the manufacturing sector. Slowing output growth was mainly attributable to a broad stagnation in new orders amid rising prices and weaker client confidence on account of sustained delivery delays.

Emerging equities outperformed developed markets after the MSCI Emerging Markets index posted a return of -7.1%. The CSI300 index registered a return of 9.6% MoM in local currency and 9.2% in USD, as easing of Covid-19 restrictions boosted sentiments. Manufacturing activity rebounded, gradually moving towards normality following the subsequent easing of restrictions across China; production increased at its quickest rate in 19 months and the gauge for new orders and new exports sales returned to positive territory. PMI edged up from 48.1 in May to 51.7 in June, signalling the first expansion of output since February 2022. In India, the BSE Sensex index registered -4.6% in June. The manufacturing sector extended its recovery in June, supported by robust domestic and international demand. Growth rates, however, eased to a nine-month low on account of intense price pressures; PMI edged down to 53.9 in June (May 2022: 54.6).

At fixed income level, the Barclays Global Aggregate Bond index posted a return of -3.2% MoM. The 10-year US Treasury yields increased by 17bps during the month, closing at 3.01% in June (May 2022: 2.84%). The yield curve flattened further to price in a higher probability of an economic contraction. The US Federal Reserve raised its Fed Funds rate by 75bps at its June meeting, the biggest rate hike since 1994. The Committee will continue reducing its holdings of Treasury securities and agency debt and agency mortgage-backed securities with the cap set at USD 47.5Bn for July. The ECB kept the interest rate unchanged on the main refinancing operations, the marginal lending facility and the deposit facility at 0.00%, 0.25% and -0.50%, respectively. On 15 June, the ECB held an ad-hoc meeting to address resurgent fragmentation risks and announced that it will come up with an anti-fragmentation tool to limit the surge in Italian borrowing costs.

On the commodity side, the S&P GSCI index decreased by -7.6% MoM. Oil suffered its first monthly price drop since November as OPEC+ completed its return of output that was halted during the pandemic; Brent and WTI prices recorded corresponding declines of -6.5% and -7.8%. The price of natural gas decreased by 33.4% MoM. The downtrend in the prices of industrial metals continued in June with silver and copper posting -5.9% and -13.5% MoM. Regarding precious metals, gold price dropped for a third straight month, registering a return of -1.6%.

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