

# Monthly Market Wrap

I July 2022

## Equity index returns (% local currency)

Index	1M	3M	6M	YTD	1Y	3Y	5Y	5Y Std Dev
S&P 500	+9.1%	-0.0%	-8.5%	-13.3%	-6.0%	+38.6%	+67.2%	17.3%
MSCI World	+7.9%	-1.8%	-10.2%	-15.0%	-10.5%	+25.5%	+40.0%	16.8%
MSCI World Small Cap	+9.0%	-2.4%	-9.4%	-16.3%	-15.5%	+17.7%	+25.3%	20.2%
MSCI Europe	+7.5%	-2.4%	-6.1%	-9.1%	-3.8%	+12.9%	+15.2%	15.1%
MSCI EM	-0.7%	-7.7%	-17.7%	-19.3%	-22.2%	-4.2%	-6.8%	16.9%
MSCI AC Asia	+1.5%	-5.0%	-13.2%	-17.0%	-18.7%	+1.2%	-0.0%	14.4%
SEMDEX	-5.5%	-12.3%	-5.9%	-4.1%	+4.9%	-6.9%	-8.0%	16.0%
DEMEX	-4.7%	-7.6%	-7.8%	-7.7%	+1.3%	+22.2%	+31.2%	11.0%

## Fixed income index returns (% local currency)

Index	1M	3M	6M	YTD	1Y	3Y	5Y	5Y Std Dev
Barclays Global Aggregate Bond	+2.1%	-0.9%	-10.2%	-12.1%	-14.6%	-7.2%	-2.3%	5.3%
Barclays US Aggregate Bond	+2.4%	+1.5%	-6.1%	-8.2%	-9.1%	-0.6%	+6.6%	4.2%
Barclays High Yield bond	+4.0%	-3.9%	-11.3%	-13.5%	-14.5%	-4.3%	+3.2%	9.8%
JP Morgan EMU IG Bond	+4.0%	+0.2%	-7.5%	-8.5%	-10.5%	-8.0%	+1.2%	4.8%
JP Morgan EM Bond	+3.3%	-3.3%	-15.7%	-18.2%	-19.4%	-13.3%	-4.0%	10.7%
FTSE Asian Broad Bond	+0.8%	-1.8%	-8.8%	-10.9%	-12.3%	-4.2%	+5.1%	5.2%

## Commodity prices

Commodity	Current \$	1M
WTI Crude Oil / Bbl	98.62	+8.8%
Brent Crude Oil / Bbl	110.01	+12.2%
Natural Gas / mmBtu	8.23	+5.7%
Copper / oz	357.35	+8.8%
Silver / oz	20.36	+14.4%
Gold / oz	1,765.94	+4.3%

## SEMDEX sector performance (%)

Index	Weight	1M
Financials	38.3%	-7.3%
Commerce	16.6%	-4.4%
Industry	7.7%	-2.1%
Investments	23.8%	-5.1%
Leisure & Hotels	7.1%	-4.9%
Property	5.7%	-3.3%
Sugar	0.5%	+4.7%
Foreign	0.2%	0.0%

## Secondary market yields - GoM

Tenor	91D	182D	364D	3Y	5Y	10Y	15Y	20Y
Current	0.88%	1.08%	1.25%	2.87%	3.44%	4.54%	4.89%	5.13%
-1M	0.87%	1.07%	1.25%	2.73%	3.20%	4.57%	4.96%	5.13%

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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	52.20	52.70	47.30	52.70	95.70	98.40	8.5%	2.25%-2.50%	3.5%
Germany	49.30	52.00	49.70	52.40	78.00	83.00	7.5%	0.50%	5.1%
France	49.50	51.40	53.20	53.90	80.00	82.00	6.1%	0.50%	7.4%
UK	52.10	52.80	52.60	54.30	-41.00	-41.00	10.1%	1.25%	3.8%
Japan	52.10	52.70	50.30	54.00	30.00	32.20	2.4%	-0.10%	2.6%
China	50.40	51.70	55.50	54.50	NA	88.90	2.7%	4.35%	4.0%
India	56.40	53.90	55.50	59.20	NA	NA	6.7%	5.40%	6.8%

\*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	221.50	+0.4%	+1.0%	+3.9%	0.3%
SBM Yield Fund	MUR	Global fixed income	11.77	+0.3%	+0.5%	+0.7%	7.5%
SBM Universal Fund	MUR	Multi-asset	30.97	-0.1%	-2.8%	-0.5%	8.0%
SBM Growth Fund	MUR	Global equities	13.12	+0.6%	-3.6%	-4.1%	12.9%
SBM India Fund (Class B)	USD	Indian equities	131.24	+8.4%	-1.6%	-2.2%	28.7%

## Commentary

Local equity indices posted negative performances in July with the SEMDEX and DEMEX closing the month at 2,011.03 and 282.04 points, equivalent to respective returns of -5.5% and -4.7%. The main leaders, that is, companies which contributed to the positive performance of the SEMDEX were SUN, CIM and LOTO while the main laggards were MCBG, IBL and CIEL. The top three price gainers were MTMD (+4.7%), MCFI (+3.0%) and LOTO (+2.8%) while the top three losers were LUX (-13.2%), MUAL (-11.6%) and ASL (-9.1%). The price-earnings ratio and dividend yield of the SEMDEX stood at 12.23x and 3.53%, respectively, as at 29 July against corresponding figures of 12.74x and 3.35% as at 30 June. The stock market registered net foreign outflows of MUR 376.9M during the month, mainly driven by MCBG, PBL and ROGERS.

International equities posted strong gains in July after the MSCI World index added 7.9% MoM, despite the hotter inflation prints across major economies. Although growth risks remained skewed to the downside amid the ongoing geopolitical tensions and rising recession fears, hopes that a slowing growth will lead to central banks easing up their pace of monetary policy tightening uplifted investor sentiment.

The S&P 500 index gained 9.1% MoM as the earnings season kicked off and investors shrugged off data showing slower growth. US earnings remained resilient as most of the companies having reported earnings beat consensus estimates. All the 11 major industry groups ended the month in positive territory with Consumer Discretionary, Information Technology and Energy being among the top gainers. The S&P Global US Purchasing Managers' Index (PMI) edged down to its lowest reading in two years to 52.2 in July (June 2022: 52.7), reflecting subdued demand conditions. New orders were down for a second straight month as supply chain disruptions and hikes in prices weighed on consumer spending. GDP contracted by an annualised rate of 0.9% in Q2 2022, driving the economy into a technical recession after a second consecutive quarter of negative real growth rate.

The Eurostoxx 50 index posted a return of 7.3% during the month as positive earnings offset the energy crisis. The DAX and FTSE MIB indices recorded respective MoM returns of 5.5% and 5.2% while the CAC 40 registered 8.9%. The downturn in operating conditions worsened in July amid rising recession risks – the manufacturing sector fell deeper into contraction territory with PMI falling from 52.1 in June to 49.8 in July. Weakening demand remained the major drag on output, with new orders contracting sharply. In the UK, the FTSE 100 index gained 3.5% in July. The manufacturing sector registered a weak improvement in operating conditions; the PMI fell to a 25-month low of 52.1 in July, against a previous reading of 52.8. Business confidence remained unchanged from June's two-year low; firms expect a contraction amid rising recession fears, cost of living crisis and weak sentiment. In Japan, the Nikkei 225 index registered a return of 5.3%. Market headlines were dominated by the assassination of former Prime Minister Shinzo Abe. PMI fell to a ten-month low of 52.1 in July against a previous reading of 52.7, pointing to renewed contraction in production levels and new orders. Output and demand fell for the first time in five and ten months, respectively, mainly due to the rising inflationary pressures and raw material shortages.

Emerging equities underperformed developed markets, weighed down by the weakness in Chinese stocks; the MSCI Emerging Markets index posted a return of -0.7% in July. The CSI300 index registered a return of -7.0% MoM in local currency and -7.6% in USD. Manufacturing activity improved marginally amid the softer increase in output and new orders. PMI stood at 50.4 in July (June 2022: 51.7) as the sector continued to gradually recover from the recent Covid outbreaks. The Fed's meeting in July was largely muted demand, lingering Covid-19 impacts and electricity shortages faced by some companies. In India, the BSE Sensex index recorded a return of 8.6% in July. The manufacturing sector registered the strongest improvement after the PMI hit an eight-month high of 56.4 in July (June 2022: 53.9). The sharp upturn in output was mainly attributable to better demand conditions and a pick-up in sales. Input cost inflation subsided to an eleven-month low amid easing supply chains.

At fixed income level, the Barclays Global Aggregate Bond index posted a return of 2.1% MoM, as softening US data supported bonds. The 10-year US Treasury yields decreased by 36bps during the month, closing at 2.65% in July (June 2022: 3.01%). The Federal Reserve's (Fed) hiked interest rates by 75bps at its latest FOMC Meeting, bringing the Fed Fund Target range to 2.25%-2.50%. The Fed expects the median federal funds rate to be 3.4% by the end of 2022. The persistently high inflation environment led the ECB to raise rates by 50 bps, ending the era of negative interest rates. The corresponding interest rate on the main refinancing operations, the marginal lending facility and the deposit facility were raised to 0.50%, 0.75% and 0.00%. The new anti-fragmentation tool to limit the excessive widening of bond yields, mainly Italian yields, relative to German yields was also unveiled.

On the commodity side, the S&P GSCI index remained flat over the month. Within the energy segment, oil prices continued its downtrend in July; Brent and WTI prices recorded corresponding declines of -4.2% and -6.8%. The price of natural gas surged by 51.7% MoM as Kremlin kept vital gas flows to Europe at minimal levels amid the continued standoff over Ukraine. Industrial metals recorded mixed performances with copper posting -3.8% MoM while silver gained 0.4%. Regarding precious metals, gold price continued to decline in July, registering a return of -2.3%.

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