

Monthly Market Wrap

I December 2022

Equity index returns (% local currency)

Index	1M	3M	6M	YTD	1Y	3Y	5Y	5Y Std Dev
S&P 500	-5.9%	+7.1%	+1.4%	-19.4%	-19.4%	+18.8%	+43.6%	18.7%
MSCI World	-4.3%	+9.4%	+2.2%	-19.5%	-19.5%	+10.4%	+23.7%	18.1%
MSCI World Small Cap	-3.6%	+10.4%	+4.1%	-20.1%	-20.1%	+4.6%	+10.1%	21.3%
MSCI Europe	-3.6%	+9.2%	+4.3%	-11.9%	-11.9%	+2.1%	+8.4%	16.0%
MSCI EM	-1.6%	+9.2%	-4.4%	-22.4%	-22.4%	-14.2%	-17.4%	18.8%
MSCI AC Asia	-0.4%	+12.1%	-1.4%	-19.4%	-19.4%	-8.7%	-10.4%	16.7%
SEMDEX	+0.1%	-2.8%	-3.4%	-2.0%	-2.0%	-5.6%	-6.7%	16.1%
DEMEX	-0.3%	-3.9%	-9.9%	-12.8%	-12.8%	+13.5%	+16.1%	11.1%

Fixed income index returns (% local currency)

Index	1M	3M	6M	YTD	1Y	3Y	5Y	5Y Std Dev
Barclays Global Aggregate Bond	+0.5%	+4.5%	-2.7%	-16.2%	-16.2%	-12.9%	-8.0%	6.3%
Barclays US Aggregate Bond	-0.5%	+1.9%	-3.0%	-13.0%	-13.0%	-7.9%	+0.1%	5.1%
Barclays High Yield bond	+0.7%	+8.0%	+5.0%	-12.7%	-12.7%	-5.7%	+1.9%	10.4%
JP Morgan EMU IG Bond	-4.5%	-2.1%	-6.8%	-17.9%	-17.9%	-16.8%	-10.2%	5.9%
JP Morgan EM Bond	+0.2%	+8.4%	+3.1%	-18.4%	-18.4%	-15.4%	-6.9%	11.7%
FTSE Asian Broad Bond	+1.2%	+3.5%	-0.6%	-12.1%	-12.1%	-7.9%	+2.3%	6.2%

Commodity prices

Commodity	Current \$	1M
WTI Crude Oil / Bbl	80.26	-0.4%
Brent Crude Oil / Bbl	85.91	+0.6%
Natural Gas / mmBtu	4.47	-3.4%
Copper / oz	381.05	+2.2%
Silver / oz	23.95	+1.9%
Gold / oz	1,824.02	+3.3%

Exchange rates

	Current	-1M
EUR/USD	1.07	1.04
USD/JPY	131.12	138.07
GBP/USD	1.21	1.21
USD/MUR	44.31	44.49
EUR/MUR	47.34	46.11
GBP/MUR	53.48	53.38

SEMDEX sector performance (%)

Index	Weight	1M
Financials	41.2%	-0.7%
Commerce	17.2%	+3.3%
Industry	6.9%	-3.8%
Investments	21.0%	+1.3%
Leisure & Hotels	8.1%	-1.1%
Property	5.0%	-0.8%
Sugar	0.4%	-8.3%
Foreign	0.2%	0.0%

Top 3 Gainers - SEMDEX

Stock	1M
P. O. L. I. C. Y Ltd	+9.1%
Caudan Development Ltd	+8.7%
Lottotech Ltd	+6.1%

Top 3 Losers - SEMDEX

Stock	1M
United Basalt Products Ltd	-9.3%
United Docks Ltd	-8.3%
Omnican Ltd	-8.3%

Secondary market yields - GoM

Tenor	91D	182D	364D	3Y	5Y	10Y	15Y	20Y
Current	3.58%	4.28%	4.76%	5.09%	5.48%	5.90%	6.54%	6.77%
-1M	2.39%	2.48%	3.19%	3.81%	4.44%	5.24%	5.33%	5.31%

Selected economic data*

Index	Manufacturing PMI		Service PMI		Consumer confidence		GPI YoY	Policy rate	Unemployment
	Current	-1M	Current	-1M	Current	-1M	Current	Current	Current
US	46.20	47.70	44.70	46.20	108.30	101.40	6.5%	4.25% - 4.50%	3.5%
Germany	47.10	46.20	49.20	46.10	84.00	79.00	8.6%	2.50%	5.5%
France	49.20	48.30	49.50	49.30	81.00	83.00	5.9%	2.50%	7.3%
UK	45.30	46.50	49.90	48.80	-42.00	-44.00	10.5%	3.50%	3.7%
Japan	48.90	49.00	51.10	50.30	30.60	29.40	4.0%	-0.10%	2.5%
China	49.00	49.40	48.00	46.70	NA	85.50	1.8%	4.35%	4.0%
India	57.80	55.70	58.50	56.40	NA	NA	5.7%	6.25%	8.3%

*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	224.42	-0.1%	+0.6%	+3.8%	0.3%
SBM Yield Fund	MUR	Global fixed income	11.16	-2.5%	-3.2%	-3.1%	7.6%
SBM Universal Fund	MUR	Multi-asset	30.00	-2.3%	+0.4%	-6.8%	8.1%
SBM Growth Fund	MUR	Global equities	12.60	-2.7%	+2.6%	-13.0%	13.3%
SBM India Fund (Class B)	USD	Indian equities	132.16	-4.6%	+1.5%	-7.2%	28.7%

Commentary

Local indices posted contrasting performances in December with the SEMDEX closing marginally higher at 2,055.25 points while the DEMEX headed south to 266.61 points, equivalent to respective returns of +0.1% and -0.3%. The main leaders, that is, companies which contribute to the positive performance of the SEMDEX were IBLL, ENLG and VIVO, while the main laggards were MCBG, NMHL and UBP. The top three price gainers were POLICY (+9.1%), CAUDAN (+8.7%) and LOTO (+6.1%) while the main detractors were UBP (-9.3%), UDL (-8.3%) and MTMD (-8.3%). The price-earnings ratio of SEMDEX remained static quo at 10.20x and the dividend yield stood at 3.62% as at 31 December against 3.63% as at 30 November. During the month, foreigners were net seller to the tune of MUR 5.6M (versus net inflow of MUR 13M in Nov-22), driven mainly by MWA and APL.

International markets remained volatile in December as investors reassessed the economic impact of the aggressive monetary policy tightening across the globe. Inflation, rising interest rates and geopolitical tensions weighed on investor sentiment. MSCI World index posted a return of -4.3% MoM.

The S&P 500 index registered -5.9% in December and ended 2022 with its worst annual performance since 2008. All the major industry groups ended in negative territory, led by Consumer Discretionary, Information Technology and Communication Services. Growth stocks underperformed with the S&P Growth index posting -7.7% MoM compared with -4.1% for the S&P Value index. The S&P Global US Purchasing Managers' Index (PMI) edged down to 46.2 in December (November 2022: 47.6), mainly on account of weaknesses in client demand. Operating conditions contracted sharply amid a faster drop in new orders. The strengthening of the dollar together with the global economic uncertainty also weighed on export sales.

The Eurostoxx 50 index posted a performance of -4.3% MoM as concerns of an economic recession weighed on markets. The DAX and FTSE MIB indices recorded respective returns of -3.3% and -3.7% while the CAC 40 registered -3.9%. The Eurozone manufacturing sector downturn eased in December amid softening inflationary pressures and stabilising supply-chain conditions; PMI remained below the 50-mark threshold, at 47.8 in December against a previous reading of 47.1. In the UK, the FTSE 100 index shed 1.6%; operating conditions worsened in the UK with the PMI edging down to a 31-month low of 45.3 in December (November 2022: 46.5). Output contracted at one of the fastest rates in 14 years on account of weak domestic and overseas demand, economic uncertainty and customers postponing orders. Brexit constraints also exacerbated the downturn.

In Japan, the Nikkei 225 index registered a return of -6.7% MoM. Manufacturing output lost further momentum mainly attributable to weak demand conditions on both the domestic and international fronts. PMI reading fell from 49.0 in November to 48.9 in December. Forward-looking indicators remained skewed to the downside with business sentiment waning to a 7-month low and companies significantly cutting back input purchase.

Emerging equities outperformed developed markets after the MSCI Emerging Markets index posted a return of -1.6% in December. The CSI300 index posted 0.5% in local currency and 3.3% in USD, on the back of the relaxation of China's zero-Covid policies. The spread of the Covid-19, however, curtailed manufacturing activity with PMI dropping to 49.0 in December versus 49.4 in November. The ongoing implementation of containment measures together with weakening customer demand contributed to the deterioration in operating conditions. In India, the BSE Sensex recorded a return of -3.6% for the month. The manufacturing sector maintained its strong growth momentum bolstered up by healthy new order inflows; PMI edged up from 55.7 in November to 57.8 in December.

At fixed income level, the Barclays Global Aggregate Bond index gained 0.5% MoM. The 10-year US Treasury yields increased by 27 bps, closing at 3.87% in December. The Fed downshifted from four straight 75 bps rate hikes to a 50 bps raise in December, bringing its total rate hikes for 2022 to 450 bps; the Fed's Fund rate range stood at 4.25%-4.50%. The December minutes demonstrated the Fed's commitment to continue raising interest rates until inflation is anchored. The FOMC continued reducing its holdings of Treasury securities, agency debt, and agency mortgage-backed securities, with the cap set at USD 95Bn for December. The ECB decided to raise key ECB interest rates by 50 bps at its December meeting, with the interest rate on the main refinancing operations, the interest rates on the marginal lending facility and the deposit facility increasing to 2.50%, 2.75% and 2.00%, respectively.

On the commodity side, the S&P GSCI index fell by 1.4% MoM. Oil prices posted mixed performances with Brent gaining 0.6% MoM while WTI crude oil posted -0.4%. The price of natural gas fell by 35.4% MoM as a milder winter in Europe and a year-end industrial demand slowdown helped with the stockpiling of inventories. Industrial metals recorded positive performances with copper and silver posting corresponding gains of 2.2% and 7.9%. Regarding precious metals, the price of gold increased by 3.1% amid easing concerns of the Fed's overtightening of monetary policy.

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