

Monthly Market Wrap

I May 2023

Equity index returns (% local currency)

Index	1M	3M	6M	YTD	1Y	3Y	5Y	5Y Std Dev
S&P 500	+0.2%	+5.3%	+2.4%	+8.9%	+1.2%	+37.3%	+54.5%	18.6%
MSCI World	-1.2%	+3.2%	+2.9%	+7.6%	+0.3%	+30.4%	+33.8%	18.2%
MSCI World Small Cap	-3.0%	-6.0%	-3.1%	+0.4%	-6.0%	+24.4%	+8.1%	21.6%
MSCI Europe	-3.2%	-1.8%	+2.7%	+6.6%	+2.4%	+30.2%	+17.5%	16.1%
MSCI EM	-1.9%	-0.6%	-1.4%	+0.2%	-11.1%	+3.0%	-14.5%	18.9%
MSCI AC Asia	-1.2%	+0.3%	+1.3%	+1.7%	-6.6%	+5.2%	-8.0%	17.0%
SEMDEX	+3.0%	-1.5%	-3.3%	-3.4%	-9.3%	+22.4%	-11.8%	16.2%
DEMEX	-0.5%	-4.0%	-5.9%	-5.7%	-17.6%	+26.7%	+4.6%	11.2%

Fixed income index returns (% local currency)

Index	1M	3M	6M	YTD	1Y	3Y	5Y	5Y Std Dev
Barclays Global Aggregate Bond	-2.0%	+1.6%	+2.0%	+1.4%	-4.5%	-13.4%	-5.7%	6.8%
Barclays US Aggregate Bond	-1.1%	+2.0%	+2.0%	+2.5%	-2.1%	-10.6%	+4.1%	5.5%
Barclays High Yield bond	-1.2%	+0.4%	+3.3%	+2.6%	-0.4%	+3.9%	+6.8%	10.6%
JP Morgan EMU IG Bond	+0.3%	+2.6%	-1.9%	+2.7%	-6.0%	-15.4%	-7.6%	6.1%
JP Morgan EM Bond	-0.8%	+0.8%	+1.8%	+1.6%	-2.2%	-8.7%	-0.8%	11.8%
FTSE Asian Broad Bond	-0.6%	+1.5%	+4.2%	+3.0%	-0.1%	-5.7%	+7.6%	6.4%

Commodity prices

Commodity	Current \$	1M
WTI Crude Oil / Bbl	68.09	-11.3%
Brent Crude Oil / Bbl	72.66	-8.6%
Natural Gas / mmBtu	2.27	-6.0%
Copper / oz	363.70	-6.0%
Silver / oz	23.49	-6.3%
Gold / oz	1,962.73	-1.8%

SEMDEX sector performance (%)

Index	Weight	1M
Financials	44.0%	+4.6%
Commerce	16.4%	+3.1%
Industry	6.8%	-1.6%
Investments	20.3%	+2.6%
Leisure & Hotels	7.5%	+3.5%
Property	4.2%	+3.9%
Sugar	0.6%	+5.1%
Foreign	0.2%	0.0%

Secondary market yields - GoM

Tenor	91D	182D	364D	3Y	5Y	10Y	15Y	20Y
Current	3.83%	4.44%	4.70%	4.91%	5.16%	5.28%	5.64%	5.92%
-1M	4.04%	4.39%	4.54%	4.62%	4.85%	5.40%	5.71%	5.88%

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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	48.4	50.2	54.9	53.6	102.3	103.7	4.0%	5% - 5.25%	3.7%
Germany	43.2	44.5	57.2	56.0	92.0	92.0	6.1%	4.00%	5.5%
France	45.7	45.6	52.5	54.6	83.0	83.0	5.1%	4.00%	7.1%
UK	47.1	47.8	55.2	55.9	-27.0	-30.0	8.7%	4.50%	3.8%
Japan	50.6	49.5	55.9	55.4	35.7	34.6	3.5%	-0.10%	2.6%
China	50.9	49.5	57.1	56.4	NA	NA	0.2%	4.35%	4.0%
India	58.7	57.2	61.2	62.0	NA	NA	4.3%	6.50%	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	229.70	+0.4%	+1.3%	+4.4%	0.4%
SBM Yield Fund	MUR	Global fixed income	11.46	+0.4%	+1.2%	+1.0%	7.7%
SBM Universal Fund	MUR	Multi-asset	31.30	+1.6%	+1.0%	+0.4%	8.2%
SBM Growth Fund	MUR	Global equities	13.43	+2.3%	+1.3%	-0.2%	13.5%
SBM India Fund (Class B)	USD	Indian equities	135.76	+3.1%	+6.9%	+5.5%	28.5%

Commentary

Local indices posted contrasting performances in May with the SEMDEX rebounding to 1,984.67 points while the DEMEX headed south to close at 251.52 points, equivalent to respective returns of +3.0% and -0.5%. The main leaders, that is, companies which contributed to the positive performance of the SEMDEX were MCBG, IBLL and LUX while the main laggards were ASCE, SUN and UBP. The top three price gainers were FINCORP (+10.7%), POL (+10.2%) and LUX (+7.8%) while the main three detractors were MCFI (-19.3%), PIM (-11.2%) and HML (-10.8%). The price-earnings ratio and dividend yield of the SEMDEX stood at 8.90x and 3.66%, respectively, as at 31 May against corresponding figures of 8.62x and 3.73% as at 30 April. During the month, foreigners turned net buyer on the local bourse to the tune of MUR 124.7M (vs. net outflows of MUR 69.6M in Apr-23), mainly driven by MCBG, CIM and CIEL.

The US debt ceiling uncertainty in May coupled with the release of disappointing Chinese economic data weighed on investor sentiment; the MSCI World index posted -1.3% MoM.

Despite the prospect of a US default amid the discussions to lift the debt ceiling, the S&P 500 index gained 0.2%, supported by the Artificial Intelligence hype. 3 of the benchmark's 11 major industry groups posted positive performances, led by Information Technology, Communication Services and Consumer Discretionary. The worst performers were Energy, Materials and Utilities. Growth stocks outperformed after the S&P Growth index posted 2.3% compared with -2.1% for the S&P Value index. The manufacturing sector maintained its downtrend with the S&P Global US Purchasing Managers' Index (PMI) reading at 48.4 in May against 50.2 in April, mainly on account of a decline in new order inflows.

The Eurostoxx 50 index posted -3.2% as China's weak economic data led to renewed concerns about a global economic slowdown. The FTSE MIB and CAC 40 indices recorded respective performances of -3.8% and -5.2% while the DAX registered -1.6%. The Eurozone manufacturing sector remained in contraction territory with a PMI reading at 44.8 in May against 45.8 in April, reflecting a growing drag on demand from the eurozone countries as well as abroad. In the UK, the FTSE 100 index recorded -5.4% in May. Operating conditions further contracted on account of declining export order intakes, reduced employment and weaker demand; PMI hit a 4-month low of 47.1 in May (April 2023: 47.8).

In Japan, the Nikkei 225 index rallied by 7.0% as solid corporate earnings and foreign investments drove stocks higher. A rebound in new orders and renewed business optimism steered the PMI reading above the neutral 50.0 mark for the first time since October 2022 to 50.6 in May (April 2023: 49.5). Supplier performance stabilisation boosted business confidence and brought down purchase price inflation across the sector.

Emerging equities underperformed developed markets after the MSCI Emerging Markets index posted -1.9% in May. The CSI300 index registered -5.7% MoM in local currency and -8.4% in USD as headlines on economic activity and geopolitics intensified. Manufacturing activity improved in May, buoyed by the upturn in new order intakes. Firms witnessed an increase in capacity, leading to easing supply chain conditions and lower input costs. The PMI rebounded to 50.9 in May against 49.5 in April. In India, the BSE Sensex index gained 2.5% following easing concerns over a potential US deal towards month-end. The manufacturing sector maintained its strong growth trajectory amidst the continued momentum in domestic and international orders; PMI reached a 31-month high of 58.7 in May versus 57.2 in April.

At fixed income level, the Barclays Global Aggregate Bond index posted a return of -2.0% MoM. The yield on the 10-year US Treasury increased by 22bps, closing at 3.64% in May. The US Federal Reserve (Fed) hiked interest rate by 25bps in May. The FOMC continued reducing its holdings of Treasury securities, agency debt, and agency mortgaged-backed securities, with the cap set at USD 95Bn for May. The European Central Bank (ECB) increased its benchmark interest rate by 25bps to 3.25% as it continues to fight a surge in consumer prices. Accordingly, the interest rate on the main refinancing operations, the interest rates on the marginal lending facility and the deposit facility stood at 3.75%, 4.00% and 3.25% respectively.

On the commodity side, the S&P GSCI index posted -6.1% MoM, mainly driven by the decline in oil prices. Brent and WTI registered corresponding returns of -8.6% and -11.3% amid concerns of a global economic slowdown. The price of natural gas trended downward (-6.0% MoM) after mild weather forecasts and storage in Europe hit a new record high at the end of 2022-23 winter season. Industrial metals recorded negative performances with copper and silver posting -6.0% and -6.3%, reflecting the lacklustre global demand. The ongoing negotiations regarding the US debt limit exerted downward pressure on gold prices, with the yellow metal posting -1.4% MoM.

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