

# Monthly Market Wrap

| October 2023

## Equity index returns (% local currency)

Index	1M	3M	6M	YTD	1Y	3Y	5Y	5Y Std Dev
S&P 500	-2.2%	-8.6%	+0.6%	+9.2%	+8.3%	+28.3%	+54.7%	18.7%
MSCI World	-3.0%	-9.6%	-2.4%	+6.4%	+8.7%	+20.7%	+36.9%	18.2%
MSCI World Small Cap	-6.2%	-14.8%	-8.1%	-4.8%	-2.7%	+7.6%	+12.5%	21.8%
MSCI Europe	-3.6%	-7.8%	-7.0%	+2.4%	+5.4%	+28.6%	+19.3%	16.1%
MSCI EM	-3.9%	-12.6%	-6.3%	-4.3%	+7.9%	-17.1%	-4.3%	18.9%
MSCI AC Asia	-4.2%	-11.8%	-6.0%	-3.3%	+10.6%	-12.3%	+0.8%	16.9%
SEMDEX	-3.7%	+2.6%	+7.1%	+0.4%	+0.4%	+40.5%	-7.8%	16.5%
DEMEX	-0.7%	+6.7%	+7.5%	+1.9%	+0.6%	+38.9%	+15.6%	11.4%

## Fixed income index returns (% local currency)

Index	1M	3M	6M	YTD	1Y	3Y	5Y	5Y Std Dev
Barclays Global Aggregate Bond	-1.2%	-5.4%	-6.6%	-3.4%	+1.7%	-20.4%	-7.9%	6.9%
Barclays US Aggregate Bond	-1.6%	-4.7%	-6.1%	-2.8%	+0.4%	-15.8%	-0.3%	5.6%
Barclays High Yield bond	-0.9%	-3.0%	+0.2%	+4.1%	+10.0%	-1.3%	+8.6%	10.6%
JP Morgan EMU IG Bond	+0.4%	-1.9%	-1.9%	+0.4%	-1.9%	-20.3%	-9.3%	6.2%
JP Morgan EM Bond	-1.5%	-5.9%	-2.8%	-0.5%	+7.7%	-15.5%	-1.4%	11.8%
FTSE Asian Broad Bond	-0.8%	-2.9%	-3.1%	+0.4%	+7.2%	-11.7%	+5.5%	6.4%

## Commodity prices

Commodity	Current \$	1M
WTI Crude Oil / Bbl	81.02	<span>-10.8%</span>
Brent Crude Oil / Bbl	87.41	<span>-8.3%</span>
Natural Gas / mmBtu	3.58	<span>+22.1%</span>
Copper / oz	364.90	<span>-2.4%</span>
Silver / oz	22.85	<span>+3.0%</span>
Gold / oz	1,983.88	<span>+7.3%</span>

## SEMDEX sector performance (%)

Index	Weight	1M
Financials	43.3%	<span>-3.5%</span>
Commerce	16.1%	<span>-0.2%</span>
Industry	6.5%	<span>-0.2%</span>
Investments	20.4%	<span>-4.3%</span>
Leisure & Hotels	9.2%	<span>+9.5%</span>
Property	3.8%	<span>-7.4%</span>
Sugar	0.6%	<span>-2.0%</span>
Foreign	0.2%	<span>0.0%</span>

## Secondary market yields - GoM

Tenor	91D	182D	364D	3Y	5Y	10Y	15Y	20Y
Current	3.29%	3.47%	3.64%	3.95%	4.08%	4.53%	4.84%	5.09%
-1M	3.24%	3.32%	3.48%	3.73%	3.95%	4.37%	4.65%	4.98%

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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	50.0	49.8	50.6	50.1	102.6	104.3	3.2%	5.25% - 5.5%	3.9%
Germany	40.8	39.6	48.2	50.3	NA	89.0	3.8%	4.5%	5.7%
France	42.8	44.2	45.2	44.4	84.0	83.0	4.0%	4.5%	7.2%
UK	44.8	44.3	49.5	49.3	-30.0	-21.0	6.7%	5.3%	4.3%
Japan	48.7	48.5	51.6	53.8	35.4	35.2	3.0%	-0.1%	2.6%
China	49.5	50.6	50.4	50.2	NA	87.2	-0.2%	4.4%	4.0%
India	55.5	57.5	58.4	61.0	NA	NA	4.9%	6.5%	7.7%

\*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	233.64	+0.3%	+1.0%	+4.4%	0.4%
SBM Yield Fund	MUR	Global fixed income	11.25	-1.2%	-3.7%	+0.7%	7.9%
SBM Universal Fund	MUR	Multi-asset	30.88	-2.2%	-3.4%	+4.4%	8.3%
SBM Growth Fund	MUR	Global equities	13.21	-3.7%	-7.3%	+6.3%	13.7%
SBM India Fund (Class B)	USD	Indian equities	144.34	-3.9%	-2.2%	+8.9%	27.1%

## Commentary

After three consecutive months of gains, the domestic market witnessed a pullback in September with the SEMDEX and DEMEX closing at 2,063.91 and 271.66 points, equivalent to respective returns of -3.7% and -0.7%. The main leaders, that is, companies which contribute to the positive performance of the SEMDEX were PAD, FINCORP and HMALLAC while the main laggards were MCBG, NMHL and SBMH. The top three price gainers were HMALLAC (+10.7%), ASL (+8.2%) and PAD (+5.6%) while the main detractors were NMHL (-25.3%), MEDINE (-9.7%) and ENLG (-8.7%). The price-earnings ratio and dividend yield of the SEMDEX stood at 6.54x and 4.18%, respectively, as at 31 October against corresponding figures of 7.20x and 4.07%, as at 30 September. Foreign flows turned positive to the tune of MUR148.4M (vs. net outflows of MUR 86.1M in Sep-23), skewed by the significant inflow on Bayport. Excluding this transaction, the net foreign flows were negative to the amount of MUR 37.5M driven mainly by MCBG, ROGERS and TERA.

International equities closed in negative territory amid expectations of "higher-for-longer" interest rates. The escalation of the war in the Gaza strip also weighed on investor sentiment. All major markets closed the month in red for the first time since March 2020 with the MSCI World index posting -3.0% MoM.

The S&P 500 index registered a return of -2.2% in October as investor sentiment was mainly dented by worries of a persistently hawkish Fed tone. All the major industry groups registered negative performances except for Utilities which posted 1.2%. Value stocks proved to be relatively resilient versus their growth counterparts, registering -1.9% vs -2.5% MoM. The S&P Global US Purchasing Managers' Index (PMI) increased to a six-month high of 50.0 in October against 49.8 in September, indicating a stabilisation in manufacturing conditions; a back-to-back expansion in output and a renewed rise in new order inflows contributed to the uptick in the headline index. Inflationary pressures strengthened as higher oil and oil-related material prices raised operating expenses.

The Eurostoxx 50 index posted -2.7% MoM on account of a relatively disappointing earnings season. The CAC 40 and DAX 30 indices recorded respective performances of -3.5% and -3.7%, while the FTSE MIB index posted -1.8%. Growth in Eurozone's manufacturing sector remained in negative territory amid a broad-based weakness in demand with steep contractions in new orders; the PMI index edged down from 43.4 in September to 43.1 in October, marking the sixteenth successive month of the index being below the neutral level of 50.0. In the UK, the FTSE 100 index recorded -3.8% MoM. The UK manufacturing output remained in the sub-50 zone for the eighth consecutive month, marking the longest continual decline since 2008-09; PMI clocked at 44.8 in October (September 2023: 44.3), as weak demand in domestic and overseas markets led to declines in both output and new order intakes.

In Japan, the Nikkei 225 index registered -3.1% MoM. October marked another month of deteriorating operating conditions for the manufacturing sector with the PMI remaining below the neutral 50-threshold at 48.7 (September 2023: 48.5). Output and new orders remained on the downtrend amid depressed industrial demand. Inflationary pressures remained sticky with input costs rising significantly while firms passed on the higher costs to consumers, consequently weighing on sales.

Emerging markets' equities lagged developed markets after the MSCI Emerging Markets index registered -3.9% in October. The CSI 300 index posted -3.2% in local currency and -3.4% in USD. PMI fell from 50.6 in September to 49.5 in October, signalling a renewed deterioration in manufacturing conditions. Production shrank for the first time in three months as a result of weak external demand. In India, the BSE Sensex index recorded a return of -3.0% for the month. Manufacturing output growth decelerated in October with the PMI index signalling the slowest rate of expansion since February; PMI slipped from 57.5 in September to 55.5 in October. The indicator, however, remained well above its long-run average of 53.9, amid strong growth in international sales.

At fixed income level, the Barclays Global Aggregate Bond index registered -1.2% in October. The 10-year US Treasury yield flirted with the 5% level during the month, surging to a 16-year high; the yield rose from 4.57% in September to 4.93% in October. The US Federal Reserve (Fed) is expected to maintain the target Fed Funds rate at the 5.25%-5.50% range at its November meeting. The European Central Bank (ECB) decided to keep the key ECB interest rates unchanged at its October meeting. Accordingly, the interest rate on the main refinancing operations, the interest rates on the marginal lending facility and the deposit facility stood at 4.50%, 4.75% and 4.00%, respectively.

On the commodity side, the S&P GSCI index posted -4.2% MoM mainly on account of a decline in the price of oil. The corresponding price of Brent and WTI fell by 8.3% and 10.8% following EIA reports stating a rise in US inventories. A stronger US dollar and rising yields also weighed on crude oil. The price of natural gas surged by 22.1% MoM, driven by worries of a global supply chain disruption, exacerbated by the damages to the Balticconnector Finland-Estonia pipeline. Industrial metals registered mixed performances with Silver gaining 3.0% in October while Copper declined by 2.4%. Gold rallied during the month, posting 7.3%, following rising geopolitical risks.

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