

# Monthly Market Wrap

I January 2024

## Equity index returns (% local currency)

Index	1M	3M	6M	YTD	1Y	3Y	5Y	5Y Std Dev
S&P 500	+1.6%	+15.5%	+5.6%	+1.6%	+18.9%	+30.5%	+79.2%	18.3%
MSCI World	+1.1%	+15.8%	+4.6%	+1.1%	+15.1%	+20.4%	+58.0%	18.0%
MSCI World Small Cap	-2.8%	+16.2%	-1.0%	-2.8%	+1.2%	-0.9%	+30.2%	21.7%
MSCI Europe	+1.5%	+11.8%	+3.1%	+1.5%	+7.2%	+24.4%	+34.6%	15.9%
MSCI EM	-4.7%	+6.6%	-6.8%	-4.7%	-5.4%	-26.6%	-7.1%	18.9%
MSCI AC Asia	-1.7%	+10.5%	-2.5%	-1.7%	-18.3%	+6.3%	16.9%	
SEMDEX	+0.6%	-0.6%	+1.9%	+0.6%	+2.4%	+25.2%	-7.3%	16.5%
DEMEX	+0.1%	-1.4%	+5.2%	+0.1%	+1.2%	+17.6%	+13.4%	11.4%

## Fixed income index returns (% local currency)

Index	1M	3M	6M	YTD	1Y	3Y	5Y	5Y Std Dev
Barclays Global Aggregate Bond	-1.4%	+7.9%	+2.1%	-1.4%	+0.9%	-16.1%	-4.4%	7.5%
Barclays US Aggregate Bond	-0.3%	+8.2%	+3.2%	-0.3%	+2.1%	-9.2%	+4.2%	6.1%
Barclays High Yield bond	-0.2%	+9.4%	+6.1%	-0.2%	+9.3%	+0.5%	+15.8%	10.8%
JP Morgan EMU IG Bond	-0.5%	+6.1%	+4.1%	-0.5%	+4.0%	-15.1%	-6.3%	6.6%
JP Morgan EM Bond	-1.2%	+9.9%	+3.4%	-1.2%	+6.0%	-11.3%	+2.5%	12.1%
FTSE Asian Broad Bond	+0.2%	+7.5%	+4.3%	+0.2%	+4.6%	-7.2%	+8.9%	6.7%

## Commodity prices

Commodity	Current \$	1M
WTI Crude Oil / Bbl	75.85	+5.9%
Brent Crude Oil / Bbl	81.71	+6.1%
Natural Gas / mmBtu	2.10	+16.5%
Copper / oz	390.60	+0.4%
Silver / oz	22.96	-3.5%
Gold / oz	2,039.52	-1.1%

## SEMDEX sector performance (%)

Index	Weight	1M
Financials	43.6%	+0.6%
Commerce	15.9%	+1.7%
Industry	6.3%	-0.5%
Investments	20.5%	+1.3%
Leisure & Hotels	9.1%	-1.7%
Property	3.9%	+2.0%
Sugar	0.6%	+5.1%
Foreign	0.2%	0.0%

## Secondary market yields - GoM

Tenor	91D	182D	364D	3Y	5Y	10Y	15Y	20Y
Current	3.29%	3.50%	3.69%	4.30%	4.58%	4.86%	5.16%	5.39%
-1M	3.62%	3.88%	4.01%	4.67%	4.74%	4.93%	5.28%	5.67%

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## 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	50.7	47.9	52.5	51.4	114.8	108.0	3.1%	5.25% - 5.5%	3.7%
Germany	45.5	43.3	47.7	49.3	88.0	89.0	2.9%	4.5%	5.8%
France	43.1	42.1	45.4	45.7	91.0	89.0	3.1%	4.5%	7.5%
UK	47.0	46.2	54.3	53.4	-19.0	-22.0	4.0%	5.3%	3.8%
Japan	48.0	47.9	53.1	51.5	37.3	36.7	2.6%	-0.1%	2.4%
China	50.8	50.8	52.7	52.9	NA	87.6	-0.8%	4.4%	4.0%
India	56.5	54.9	61.8	59.0	NA	NA	5.1%	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	235.68	+0.3%	+0.9%	+4.3%	0.4%
SBM Yield Fund	MUR	Global fixed income	11.55	+0.9%	+3.2%	+3.7%	7.9%
SBM Universal Fund	MUR	Multi-asset	32.60	+1.2%	+5.6%	+6.8%	8.3%
SBM Growth Fund	MUR	Global equities	14.57	+1.9%	+10.3%	+9.8%	13.8%
SBM India Fund (Class B)	USD	Indian equities	169.43	+1.7%	+17.4%	+29.7%	27.3%

## Commentary

Local indices were off a shy start for the year 2024 with the SEMDEX and DEMEX inching up to only 2,051.23 and 267.78, equivalent to respective returns of 0.6% and 0.1%. The main leaders, that is companies which contributed to the positive performances of the SEMDEX were MCBG, SHEL and CIEL while the main laggards were LUX, MUA and CIM. The top price gainers were SHEL (+5.8%), CAUDAN (+4.1%) and FINCORP (+4.0%) while the main detractors were MCFI (-11.2%), NIT (-7.2%) and MTMD (-5.1%). The price-earnings ratio and dividend yield of the SEMDEX stood at 6.53x and 4.27%, respectively as at 31 January against corresponding figures of 6.45x and 4.29%, as at December 2023. Foreigners remained net sellers on the local bourse with foreign flows to the tune of MUR 102.0M (vs. MUR 116.2M in Dec-23). MCBG was the main driver behind net foreign sales, followed by PBL and ENLG.

International equity markets closed the first month of 2024 on an upbeat note with the MSCI World index adding 1.1% MoM after cooling inflation trends and strong GDP growth data in the US reinforced the view of a soft-landing scenario. Early weeks of January witnessed investors being bullish on equities amidst hopes of interest rate cuts in the first quarter but the comments of the Fed regarding the path of monetary policy capped gains.

The S&P 500 index gained 1.6% in January as optimism on economic activity and solid tech earnings boosted investor sentiment. The rally in the "Magnificent 7" stocks continued to lead the index performance. 5 of the major industry groups recorded positive returns, led by Communication Services, Information Technology and Financials. Growth stocks outperformed their value counterparts, with the S&P Growth index registering 2.9% against 0.1% for the S&P Value index. The US manufacturing activity registered its strongest improvement since September 2022 with the S&P Global US Purchasing Managers' index (PMI) edging up from 47.9 in December to 50.7 in January. Renewed rise in new orders and improved domestic demand conditions supported the overall growth.

The Eurostoxx 50 index posted 2.8% MoM with the DAX 30 and FTSE MIB indices recording respective performances of 0.9% and 1.3% while the CAC 40 index added 1.5%. The downturn in the Eurozone manufacturing sector eased in January with the PMI rising from 44.4 to 46.6 after the rate of decline in output and new orders hit their weakest in 9 months. UK equities lagged its global peers after the FTSE 100 index registered -1.3% in January. PMI signalled a continued deterioration in operating conditions with the latest PMI reading at 47.0 in January (December 2023: 47.3). The overall contraction in output and new orders were mainly attributable to the persistent weakness in domestic as well as overseas demand.

In Japan, the Nikkei 225 index recorded the best monthly performance among broad market indices, rallying by 8.4% MoM. January's PMI reading of 48.0 (versus 47.9 in December) highlighted the continued downturn in manufacturing activity amid a scaling back in both output and new orders. Firms faced increased pressures from high raw materials, labour and fuel prices, while the disruption in the Red Sea led to delivery and logistical delays.

Emerging markets' equities trailed developed markets after the MSCI Emerging Markets index posted -4.7% in January. The CSI 300 index posted -6.3% in local currency and -7.2% in USD, weighed down by deteriorations in housing activity. The Chinese manufacturing sector maintained its expansion trend with PMI remaining unchanged at 50.8 in January, supported by improving business conditions and rising overseas demand. In India, the BSE Sensex index registered -0.7% MoM. Manufacturing activity accelerated, buoyed by robust demand, with both domestic and international sales growing at a faster pace; PMI inched up from 54.9 to 56.5 in January.

At fixed income level, the Barclays Global Aggregate Bond index registered -1.4% MoM. The 10-year US Treasury yield marginally increased by 3bps to 3.91% in January as economic data continued to surprise on the upside. The US Federal Reserve (Fed) left the target range for the federal funds unchanged at 5.25%-5.50% and removed the tightening bias from its statement. Fed Chairman Powell ruled out the likelihood of a rate cut at the March meeting. The European Central Bank (ECB) kept the key ECB interest rates unchanged at its January 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 added 4.5% MoM following a rally in crude oil prices. The corresponding price of Brent and WTI surged by 6.1% and 5.9% amid a larger-than-expected drop in oil stockpiles. Escalation of tensions in the Middle East and attacks on ships in the Red Sea further contributed to the rally in oil prices. The price of natural gas declined by 16.5% after US gas production hit record highs while storage remained at high levels. Within industrial metals, the price of copper remained on the uptrend, adding 0.4% while silver shed 3.5% MoM. Gold prices retreated by 1.1% on account of a strengthening dollar and rising yields.

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