SBM Mauritius Asset Managers Ltd

Monthly Market Wrap | August 2024

Equity index returns (% local currency)

Index	1M	3M	6M	YTD	1Y	3Y	5Y	5Y Std Dev
S&P 500	+2.3%	+7.0%	+10.8%	+18.4%	+25.3%	+24.9%	+93.0%	18.0%
MSCI World	+2.5%	+6.3%	+9.7%	+15.5%	+22.6%	+16.5%	+71.2%	17.8%
MSCI World Small Cap	+0.4%	+4.9%	+7.4%	+7.8%	+14.3%	-3.3%	+42.9%	21.7%
MSCI Europe	+1.4%	+1.4%	+6.0%	+9.6%	+14.4%	+13.3%	+37.7%	15.5%
MSCI EM	+1.4%	+4.9%	+7.7%	+7.4%	+12.2%	-16.0%	+11.7%	18.4%
MSCI AC Asia	+1.6%	+5.5%	+7.8%	+10.1%	+15.0%	-7.6%	+21.8%	16.6%
SEMDEX	+5.7%	+4.1%	+8.1%	+9.6%	+7.3%	+14.3%	+3.3%	16.8%
DEMEX	-2.9%	-5.3%	-13.2%	-13.3%	-12.5%	-16.0%	-2.9%	11.8%

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	47.9	49.6	55.7	55.0	103.3	101.9	2.5%	4.75% - 5.00%	4.2%
Germany	42.4	43.2	51.2	52.5	94.0	NA	1.9%	3.7%	5.9%
France	43.9	44.0	55.0	50.1	92.0	91.0	1.8%	3.7%	7.3%
UK	52.5	52.1	53.7	52.5	-13.0	-13.0	2.2%	5.0%	4.1%
Japan	49.8	49.1	53.7	53.7	36.5	36.8	3.0%	0.3%	2.7%
China	50.4	49.8	51.6	52.1	86.0	86.0	0.6%	4.4%	4.0%
India	57.5	58.1	60.9	60.3	NA	NA	3.5%	6.5%	7.7%

**based on latest available data*

Fixed income index returns (% local currency)

Index	1M	3M	6M	YTD	1Y	3Y	5Y	5Y Std Dev
Barclays Global Aggregate Bond	+2.4%	+5.3%	+4.6%	+1.9%	+6.9%	-12.0%	-6.7%	7.6%
Barclays US Aggregate Bond	+1.4%	+4.8%	+4.8%	+3.1%	+7.3%	-6.2%	-0.2%	6.3%
Barclays High Yield bond	+2.2%	+4.6%	+6.8%	+7.5%	+14.8%	+5.1%	+20.3%	10.8%
JP Morgan EMU IG Bond	+0.4%	+2.8%	+2.3%	+0.7%	+5.0%	-13.1%	-13.3%	6.3%
JP Morgan EM Bond	+2.5%	+5.2%	+7.0%	+6.7%	+13.6%	-5.9%	+1.5%	12.1%
FTSE Asian Broad Bond	+1.4%	+4.1%	+5.2%	+5.1%	+10.4%	-3.1%	+5.1%	6.7%

SBM Fund performance (% local currency)

Fund	Currency	Strategy	NAV	1M	3M	1Y	5Y Std Dev
SBM Perpetual Fund	MUR	Local fixed income	240.73	+0.3%	+0.9%	+3.7%	0.4%
SBM Yield Fund	MUR	Global fixed income	11.65	+0.3%	+1.5%	+1.2%	7.9%
SBM Universal Fund	MUR	Multi-asset	35.97	+2.8%	+4.2%	+12.5%	8.5%
SBM Growth Fund	MUR	Global equities	16.73	+3.1%	+5.5%	+18.3%	14.1%
SBM India Opportunities Fund (Class B)	USD	Indian equities	104.97	+2.0%	*Return from 10-Jul-24 to 31-Aug-24: +5.0%*		

Commodity prices

Commodity	Current $	1M
WTI Crude Oil / Bbl	73.55	-5.6%
Brent Crude Oil / Bbl	78.80	-2.4%
Natural Gas / mmBtu	2.13	+4.5%
Copper / oz	414.50	-0.8%
Silver / oz	28.86	-0.5%
Gold / oz	2,503.39	+2.3%

Exchange rates

	Current	-1M
EUR/USD	1.10	1.08
USD/JPY	146.17	149.98
GBP/USD	1.31	1.29
USD/MUR	46.51	46.65
EUR/MUR	51.56	50.58
GBP/MUR	61.36	59.94

SEMDEX sector performance (%)

Index	Weight	1M
Financials	46.8%	+8.8%
Commerce	13.4%	+1.5%
Industry	5.2%	+1.3%
Investments	19.0%	+4.4%
Leisure & Hotels	9.0%	+13.8%
Property	3.1%	-6.0%
ICT	3.1%	-11.1%
Sugar	0.4%	+0.5%
Foreign	0.1%	0.0%

Top 3 Gainers - SEMDEX

Stock	1M
Sun Limited	+18.5%
New Mauritius Hotels Ltd	+17.1%
SBM Holdings Ltd	+13.3%

Top 3 Losers - SEMDEX

Stock	1M
Emtel Limited	-11.1%
Swan General Ltd	-6.8%
Ascencia Ltd (Ordinary shares)	-6.5%

Secondary market yields - GoM

Tenor	91D	182D	364D	3Y	5Y	10Y	15Y	20Y
Current	3.22%	3.46%	3.71%	4.43%	4.69%	5.05%	5.28%	5.48%
-1M	3.19%	3.41%	3.66%	4.41%	4.69%	5.04%	5.31%	5.59%

Commentary

Local indices registered contrasting performances in August with the SEMDEX rebounding by 5.7% to close at 2,233.67 points, while the DEMEX maintained its downtrend to head to 231.97 points, equivalent to return of -2.9%. The main leaders, that is, companies which contribute to the positive performance of the SEMDEX were MCBG, SBMH and SUN while the main laggards were EMTL, ASCE and SWAN. The top three price gainers were SUN (+18.5%), NMH (+17.1%) and SBMH (+13.3%) while the main detractors were EMTL (-11.1%), SWAN (-6.8%) and ASCE (-6.5%). The price-earnings ratio and dividend yield of SEMDEX stood at 7.16x and 4.37%, respectively as at 31 August against corresponding figures of 6.85x and 4.56% as at 31 July. During the month, foreign flows remained positive, though to a lower tune of MUR 23.3M (vs. MUR 58.4M), mainly driven by MCBG, SBMH and MUAL.

International equities picked up steam following a global selloff earlier this month. While the release of weak July jobs report prompted recession fears and the unexpected interest rate hike from the Bank of Japan sparked a global selloff, markets recovered by month end amid expectations of a more aggressive shift in the rate cutting cycle in September. The MSCI World index gained 2.5% MoM.

The S&P 500 index rebounded from the early August's selloff, closing the month with a gain of 2.3%, as economic data supported the case for a September interest rate cut; the US economy grew at a stronger pace in Q2 2024 compared to the previous quarter, inflation data came in weaker than expected and jobless claims were below expectations. 9 out of 11 major industry groups recorded positive returns, led by Consumer Staples, Real Estate and Health Care. Value stocks outperformed their growth counterparts, with the S&P Value index registering a gain of 2.7% versus 2.1% for S&P Growth index. The S&P Global US Purchasing Managers' Index (PMI) edged down to 47.9 in August against 49.6 in July, indicating a modest deterioration in operating conditions. Production declined for the first time in seven months amid the sustained weakness in demand. On the price front, higher raw materials, shipping and labour costs led to input cost rising to a 16-month high and above its pre-pandemic average.

Eurostoxx 50 index added 1.7% MoM as cooling inflation print supported the rhetoric of a potential interest rate cut by the ECB in September. The CAC 40 and FTSE MIB indices recorded respective performances of 1.3% and 1.8% while the DAX 30 index posted 2.2%. The Eurozone manufacturing sector remained mired in contraction as new order inflows sank to its lowest since December. Although the PMI index remained unchanged at 45.8 in August, the indicator was well below the 50-threshold. Manufacturing conditions worsened, weighed down by the euro area's two biggest economies - Germany and France. In the UK, the FTSE 100 index registered 0.1% MoM as a stronger pound and the weak performance of the commodity markets capped gains. The upturn in the manufacturing activity continued into August spurred by demand in the domestic market. The headline PMI rose to a 26-month high of 52.5 (July 2024: 52.1), driven by strong expansions in output and new orders while the rate of employment growth was the fastest in over two years. On the price front, higher shipping and raw materials costs and supply constraints drove up input costs.

The Nikkei 225 index slid by 1.2% MoM, wrapping up a volatile month, as the Japanese yen powered back against the US dollar, hammering exporters. The manufacturing sector moved closer to stabilisation with PMI data edging up from 49.1 in July to 49.8 in August. Although new order intakes recorded a modest fall, the month was marked by a renewed rise in overall production. On the price front, while input price inflation rose to a 16-month high on account of higher raw material prices, firms did not fully pass on the higher costs to customers in an attempt to remain competitive.

Emerging markets' equities underperformed developed markets after the MSCI Emerging Markets index posted 1.4% in August. The CSI 300 index registered -3.5% MoM in local currency and -1.8% in USD, dragged down by a series of missed corporate earnings. Manufacturing activity improved with demand picking up as new order inflows resumed growth – PMI rose past the 50 neutral mark, edging up from 49.8 in July to 50.4 in August. In India, despite the lacklustre June quarter earnings, the BSE Sensex gained 0.8% MoM. The index eked out small gains driven by domestic inflows. The Indian manufacturing sector continued to expand in August at a slightly moderating pace, driven by softer increases in new orders and output; PMI stood at 57.5 in August against a previous reading of 58.1. The indicator remained well above the historical average of 54.0, signalling a significant improvement in operating conditions.

At fixed income level, the Barclays Aggregate Bond index registered 2.4% in August. The 10-year US Treasury maintained its downward trend, falling by 13bps to 3.90% in August. While the Fed Funds Target Rate remained steady at 5.25%-5.50%, given there was no FOMC meeting during the month, Fed Chairman Powell, at the Jackson Hole annual symposium, unambiguously signalled that the Fed is set to start its rate cutting cycle in September. The key ECB interest rates remained unchanged as no meeting was held in August; the interest rate on the main refinancing operations, on the marginal lending facility and the deposit facility stood at 4.25%, 4.50% and 3.75%, respectively.

On the commodity side, the S&P GSCI index retreated by 1.7% amid concerns of weaker global growth. Brent and WTI posted -2.4% and -5.6%, respectively, despite the heightened tensions in the Middle East; oil prices extended losses amid expectations of higher OPEC+ production and weak demand in China. The price of natural gas rallied by 4.5% on account of supply concerns related to the Ukrainian incursion into Russia's Kursk region. Within industrial metals, the price of copper fell marginally by 0.8% while silver shed 0.5% MoM. Gold continued to be a standout performer, reaching a fresh all-time high of $2,503 an ounce and closing the month 2.3% higher; the yellow metal maintained its bullish momentum, driven by the prospect of falling interest rate expectations and ongoing Middle East geopolitical tensions.

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