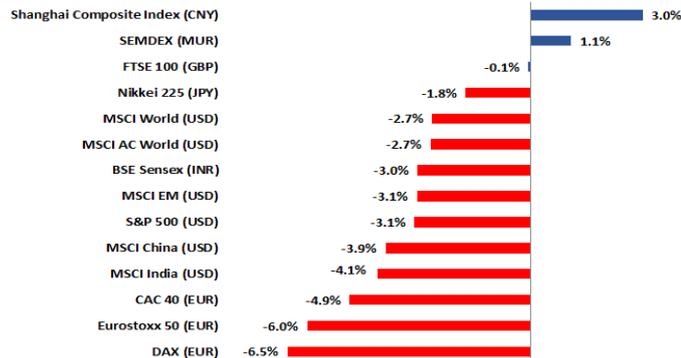


MARKET SUMMARY

Equities: Feb 22 performance (in Index currency)



- Global equity markets ended the month of February sharply lower, it is a second consecutive month this year, mainly on the back of the invasion of Ukraine by Russia.
- Three of the main sanctions imposed on Russia were (i) the removal of its major banks from SWIFT (ii) measures to limit the country's ability to use its foreign exchange reserves and (iii) against the political and military leadership and also against the oligarchs.
- The S&P 500 entered correction territory briefly before recovering.
- European equity markets were impacted heavily by the invasion of Ukraine with Eurostoxx 50 ending the month at -6%.
- China, on the other hand, posted positive returns (in local currency terms) due to looser monetary policy, in a world where most other Central Banks are moving towards tightening.
- Oil and gold were the main outperformers this month as geopolitical tensions pushed prices up.
- On the Mauritian market, positive corporate earnings results led to the SEMDEX moving up.

INVASION of UKRAINE

- Russia's invasion of Ukraine started in the early morning of February 24, 2022. The Eastern part of Ukraine has been witnessing armed conflict since 2014 with a part of the Donbass, which includes the Donetsk and Luhansk regions, under the control of pro-Russian separatists. Crimea, in the Southern part of Ukraine, was annexed by Russia, following an invasion, in March 2014.

International Sanctions

- In response to Russia's invasion, over 30 countries across the globe, representing more than 50% of the world's economy, have implemented a list of sanctions and export controls against it. Sectors targeted include

financials, energy, transport and technology.

Sectors	Sanctions
Financials	<ul style="list-style-type: none"> • Certain Russian banks (Bank Otkritie, Novikombank, Promsvyazbank, Rossiya Bank, Sovcombank, Vnesheconombank (VEB)) banned from the SWIFT System by EU. • Ban on transactions with Russian Central Bank by EU, UK, US and Japan. • Freezing of assets of Russian Central Bank. • Freezing of assets of Russia's oligarchs and allies of Putin (yachts, luxury apartments, money, and other ill-gotten gains) by EU, UK, US and Japan.
Energy	<ul style="list-style-type: none"> • Suspension of the certification process of Nord Stream 2 gas pipeline by Germany - Nord Stream 2 is a 1,230-km-long natural gas pipeline underneath the Baltic Sea linking Russia to Germany which was expected to double Russian gas exports to Germany. • Sanctions by US on Nordstream 2 AG (parent company is Russian gas giant Gazprom) and its corporate offices.
Transport	<ul style="list-style-type: none"> • Ban on the overflight of EU, US and UK airspace.
Technology	<ul style="list-style-type: none"> • Stringent control policies on technological exports like semiconductors, telecommunications equipment, oil and gas extraction equipment.

Economic Impact

- As the conflict between Russia and Ukraine unfolds, the rising tensions are weighing on global economic activities.
- **Energy sector** - Russia is one of the world's largest suppliers of natural gas and oil (It is the 3rd largest producer of petroleum and other liquids). The EU imports, on average, 40% of its natural gas from Russia, with Germany being the most dependent on Russia's natural gas for more than half of its imports. Russia's invasion in Ukraine is leading to an energy crisis in Europe with the recent spike in gas prices.
- **Auto industry** - The conflict in Ukraine is plunging automakers into a supply chain crisis. Car manufacturers VW and BMW have both temporarily halted two car factories in Germany due to the closure of some supplier plants in Ukraine (Ukraine is a key supplier of wiring harnesses for automakers). Mercedes-Benz is also planning to reduce production at some of its European plants.
- **Agricultural commodity** - Russia and Ukraine are major suppliers of sunflower oil, barley and wheat, with the two combined accounting for 60%, 19% and 14% of the world's production. The war has crippled the global commodities markets and fuelled an already-hot commodities rally. Wheat futures on CBOT nearly reached their highest trading level, since the 2008 financial crisis, at the end of February 2022 (934c per bushel).
- Ukraine's conflict and the resulting sanctions imposed on Russia could lead to increased market volatility and global supply chain disruptions. PeaQ has tilted its portfolios to mitigate these risks.

6th March 2022

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