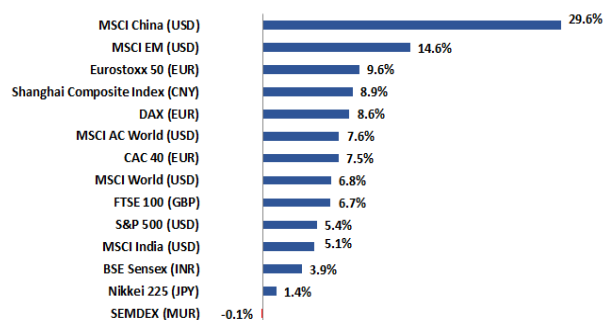


MARKET SUMMARY

Equities: Nov 22 performance (in Index currency)



- Global equity markets had a second month of strong positive returns in November on expectations that interest rate hikes would ease.
- In the US, the Fed raised rates by 75bps for the fourth consecutive time at its November meeting and by 50 bps in December.
- After the political turmoil of the last months in the UK, the new Chancellor of the Exchequer Jeremy Hunt announced tax rises and spending cuts, among other measures, in his statement, which were positively welcomed by markets.
- The Chinese equity markets were the clear outperformer of the month on speculations that China would ease Covid-19 restrictions in response to widespread protests.
- The SEMDEX finished the period slightly in the red on the back of uncertainty with regards to outlook.
- Headline inflation in Mauritius for the 12 months ended November stood at 10.30% (vs 3.70% for the previous period). The BoM increased repo rates by 100bps in November and by 50bps on December 15th.

INFLATION, INTEREST RATES & CENTRAL BANKS ACTIONS

- Markets have been keeping a close watch on inflation figures and corresponding central bank actions since the start of the year.
- Post-Covid 19, most central banks kept rates low to stimulate demand and revive growth. Demand indeed followed suit, but so did inflation, exacerbated by supply constraints and the war in Ukraine.

Inflation Rate	US	Euro Area	UK	India	China	Mauritius
Dec-20	1.40%	-0.30%	0.60%	4.59%	0.20%	2.50%
Dec-21	7.00%	5.00%	5.40%	5.66%	1.50%	4.00%
Oct-22	7.70%	10.60%	11.10%	6.77%	2.10%	9.90%
Nov-22	7.10%	10.00%	10.70%	5.88%	1.60%	10.30%

- Inflation became persistent, non-transitory and above Central Banks' target – for the US Fed, ECB and BoE,

targeted inflation rate stands at 2.00%.

- Central Banks started to take action. The BoE was the first developed world's central banks to begin raising rates in Dec 21 from 0.10% to 0.25%, followed by the US Fed in Mar 22 from 0.25% to 0.50% and the ECB in Aug 22 from 0.00% to 0.50%.

Interest Rate	US	Euro Area	UK	India	China	Mauritius
Dec-21	0.25%	0.00%	0.25%	4.00%	3.85%	1.85%
Nov-22	4.00%	2.00%	3.00%	5.90%	3.65%	4.00%

- Inflation rate figures in the US have been slowing down, from its highest point since 1981 of 9.10% in Jun 22 to 7.1% in Nov 22. This is leading investors' expectations that further interest rate hikes would be more moderate, and that interest rates would peak at a lower level than expected.
- In the Euro-area, though inflation figures have moderated slightly from 10.6% in Oct (the highest level on record) to 10.0% in Nov, the inflation level is well above the ECB's target, whilst in the UK, due to aggressive monetary policy, the latest inflation figure of 10.70% has moderated from its highest level since 1981 of 11.10%. It must be added that UK was subject to political upheaval which dented confidence.
- The picture in emerging economies is more nuanced. In China, inflation levels have been contained (1.60% in Nov) mainly on the back of the zero-covid policies which saw major parts of China in lockdown. The PBoC has been cutting rates and provided stimulus packages to boost the economy. The latest announcements with regards to easing of Covid-19 restrictions, which would boost global demand, were well received by investors. India has an inflation target at 4.00% (with upper and lower tolerance levels of 6.00% and 2.00% respectively) for the 5-year period Apr 21 to Mar 26. With inflation levels in the range of 6.00-7.00%, the RBI has been increasing rates from 4.00% in Dec 21 to 6.25% in Dec 22.
- In Mauritius, the BoM has raised rates five times this year from 1.85% in Dec 21 to 4.50% in Dec 22. The latest headline inflation figure is the highest since Nov 2006, which led to the BoM increasing rates at its Dec meeting.
- Upcoming major central bank meetings are Dec 15th for the ECB and BoE and Dec 20th for PBoC.
- Expectations of lower GDP growth and earnings figures are also currently on investors' minds with recession already expected by end of Q4 22 in UK and Europe and by Q2 23 in US. In Mauritius, operators have been cautious in their outlook for beyond Q1 23.
- PeaQ has been adjusting its portfolios in line with the above developments.

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Source: Bloomberg, Trading Economics, SEMDEX, Statistics Mauritius, BoM, MSCI.

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