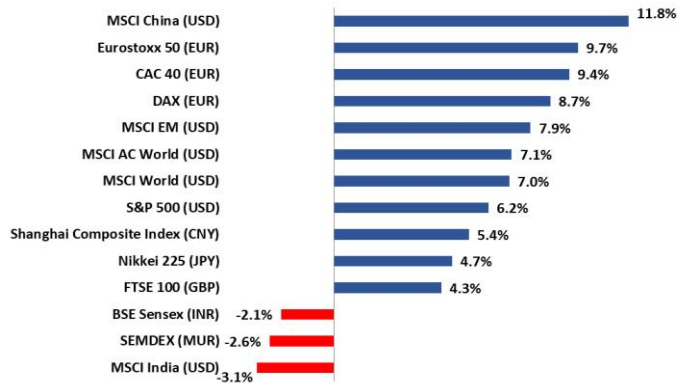


MARKET SUMMARY

Equities: Jan 23 performance (in Index currency)



- Strong returns were posted in the first month of the year as the latest inflation figures pointed towards a slowing down from highs leading to expectations that central banks might be less hawkish.
- In December, the US headline CPI fell from 7.1% to 6.5%, whilst in Europe, the annual inflation rate fell from 10.2% in November to 9.2% in December. US and Europe's GDP figures, as well as US employment data, were positive.
- The falling inflation rates, along with the re-opening of China's borders and the discontinuation of strict Covid-19 measures fuelled investors' optimism and boosted global equity markets.
- India headlines were dominated by the Adani saga with allegations of fraud and market manipulation by the business conglomerate.
- The SEMDEX posted negative returns for the month on the back of foreign selling pressures.
- The headline inflation in Mauritius rate increased from 4.0% in year 2021 to 10.8% in year 2022. The authorities are targeting 1.4m tourist arrivals in calendar year 2023.

CHINA GROWTH STORY

- In 2022, due to its zero-tolerance covid policies and a slump in its property market, economic activities deteriorated significantly in China.
- Despite these multifaceted challenges, China offers further upside for investors in its growth recovery.
- According to the World Bank, China's GDP is estimated to have slowed from 8.1% in 2021 to 2.7% in 2022 (weakest growth recorded since mid-1970s except for 2020). The economy is forecast to grow by 4.3% in 2023 and 5.0% in 2024 as COVID restrictions are lifted and consumers release their pent-up demand for goods and services.

1. Supportive fiscal policy and accommodative monetary policy

- At the annual Central Economic Work Conference held in December 2022, President Xi Jinping highlighted that a proactive fiscal policy and prudent monetary policy will continue to be implemented in 2023.
- Policy fiscal tools include fiscal deficits, issuance of special-purpose bonds, a series of tax and other relief measures to companies and investment in infrastructure projects.
- On the monetary side, at its latest Q4 MPC meeting in December 2022, the PBOC emphasized using relending tool to support micro and small businesses, technology and innovation and green development.

2. Lifting of zero-covid policy

- The Chinese government started to abandon its zero-covid measures of mass testing and quarantines by introducing 20 measures in early November 2022 and 10 measures in early December 2022 after a nationwide protest.
- The country reopened its borders to international visitors at the beginning of January 2023 after nearly three years since it imposed travel restrictions.
- China's reopening is also expected to boost tourism recovery in the Asia-Pacific region which relied heavily on the Chinese tourist industry. According to Fitch, before the pandemic, China was one of the world's largest outbound tourist market with an estimated total international tourism expenditure of USD 254.6Bn in 2019.

3. Easing of property policy

- The government is planning to relax its 'three red lines' policy, introduced in August 2020 to limit the yearly new borrowings by property developers, for the real estate sector. However, the change in policy will apply to 30 pilot property firms of relatively large size, of systemic importance and with projects in different regions.
- China's central bank pledged to support the funding of unfinished property projects to ensure deliveries and to use its policy tools to support housing demand from first-home buyers.
- PeaQ remains positive about China's economic growth prospects and has tilted clients' portfolios accordingly.

20th February 2023

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Source: World Bank, The State Council, WSI, CNN, Bloomberg, South China Morning Post, Fitch, Trading Economics, SEMDEX, Statistics Mauritius, BoM, MSCI.

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