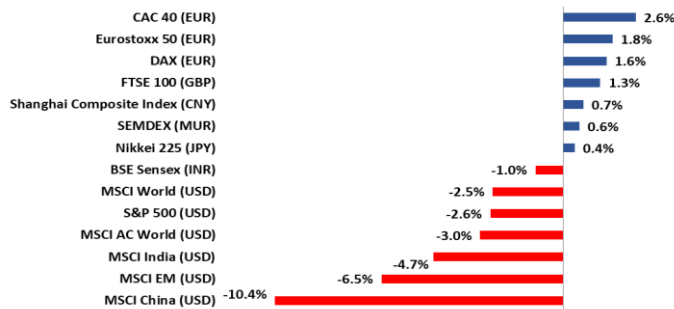


MARKET SUMMARY

Equities: Feb 23 performance (In Index currency)



- After a strong start in January, February proved to be more nuanced. Most global equity markets finished the month in the red as sticky inflation rates and speculations of higher interest rates remaining high for longer weighed on investors' minds.
- The unemployment rate in the US stood at 3.4% in January, the lowest since May 1969, in the Euro area at 6.7% (which is close to the record low of 6.6% in Oct 22) and in the UK at 3.7%.
- In Japan, Kazuo Ueda was nominated as BoJ's governor.
- China's equity markets were subject to some profit-taking, following geopolitical tensions in the month.
- February marked the first anniversary of the start of the war in Ukraine.
- Oil prices finished higher due to forecast lower Russian production but concerns of more aggressive interest rate hikes by central banks which would put pressure on demand, as well as increase in US crude oil inventories curbed the rise in prices.
- The SEMDEX posted positive returns for the month as the latest published corporate financials boosted markets.
- The headline inflation in Mauritius for the 12-months ended February 2023 stood at 11.3%, compared to 5.2% for the previous period.

INFLATIONS AND CENTRAL BANKS POLICIES

US

- US annual inflation slowed to 6.0% in February (in line with market forecasts), down from 6.4% in January. Although inflation eased for eight months, it remained elevated and is still posing a challenge for the Fed (recent peak was at 9.1% in June 2022). The Fed's target inflation is 2.0%.
- Fed raised interest rates by 25bps in February (8th consecutive time) bringing the Fed-funds rate to a range between 4.50% - 4.75%.

- Participants at the FOMC meeting indicated that ongoing rate hikes would be appropriate going forward and characterized inflation as unacceptably high.

Eurozone

- Eurozone's annual inflation rate in February eased for the fourth straight month from a peak of 10.6% in October 2022 to 8.5% due to the lower energy prices (vs market expectations of 8.2%). However, inflation rates in the two major economies of France (6.3% vs 6.0% in January, highest rate since May 1985) and Spain (6.0% vs 5.9% in January), accelerated over the month while it remained unchanged at 8.7% from the previous month in Germany (but close to its peak of 8.8% in October and November 2022) due to the impact of higher food prices. The ECB's target inflation is 2.0% over the medium term.
- ECB raised its key interest rates by 50bps on February 8 after a similar hike in December 2022.
- The latest inflation data showed that inflation pressures remained much stronger than anticipated (along with ECB's recent hawkish comments) and hence the governing council would need to hike interest rates further to dampen demand.
- Post February (16th of March 2023), ECB raised interest rates by 50bps.

UK

- UK's annual inflation rate was down for a third straight month in January to 10.1% from 10.5% in December (after reaching a peak of 11.1% in October 2022) and below market forecasts of 10.3% due to the easing in the price changes in the transport sector and restaurants & hotels (BOE's target inflation is at 2.0%).
- In February, BOE raised its interest rate for the 10th consecutive time by 50bps to 4.0%, the highest rate since 2008.
- The committee's dovish guidance during the meeting implied that decisions at the upcoming meetings in March and May would be largely data dependent i.e. on the labour market and inflation.
- PeaQ is closely monitoring and positioning its clients' portfolios in this challenging, with rising rate, environment.

17th March 2023

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Source: Federal Reserve, ONS, WSJ, Bloomberg, Trading Economics, SEMDEX, Statistics Mauritius, BoM, MSCI.

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