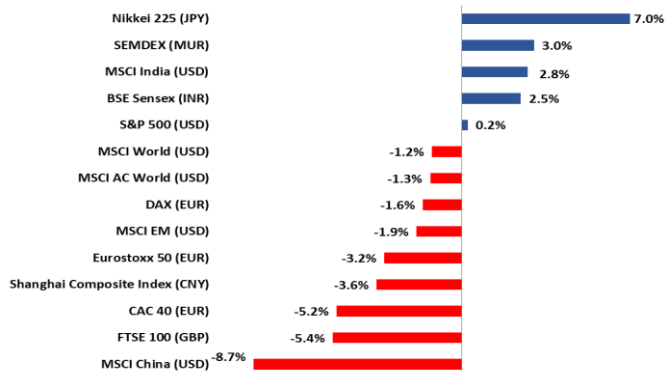


## MARKET SUMMARY

Equities: May 23 performance (in Index currency)



- A majority of global developed equity markets fell over the month of May.
- In the US, the bill to suspend the debt limit through to 1st January 2025 was approved and voted by the House and the Senate and the US President signed it into law thereafter.
- The US Fed, the ECB and the BoE all raised rates by 25bps in their May meetings.
- In Germany, revised figures showed that GDP growth was negative for the second consecutive quarter (-0.3% in Q1 2023 and -0.5% in Q4 2022), thereby signalling that the economy went into recession in the first quarter of 2023.
- Inflation in the UK fell from 10.1% in March to 8.7% in April. The IMF revised its forecast for a 0.4% growth in the GDP of UK against its prior projection of -0.3%, on the back of resilient demand and falling energy cost.
- The SEMDEX rose as the latest financial statements of various listed corporates registered positive data.
- Headline inflation for the 12-months ended May 2023 settled at 10.6% (compared to 7.7% for the previous period).
- Tourist arrivals stood at 514,258 for the period Jan-May 2023 (vs 557,684 for Jan-May 2019).
- The National Budget is scheduled for 2<sup>nd</sup> June whilst the long-awaited MPC meeting would take place on 15th June.

## GLOBAL CENTRAL BANKS POLICIES (POST MAY)

### US

- After a two-days meeting on June 13-14, the FOMC participants left the interest rate unchanged in a target range of 5.00% - 5.25% after 10 consecutive hikes since March 2022.

- However, the dot plot showed a median projection of two additional rate hikes in 2023. The median expectation of the funds rate is 5.6% by the end of 2023.
- CPI declined to 4.0% in May from 4.9% in April.
- According to the Fed's summary of economic projections, PCE (personal consumption expenditures) inflation is expected to moderate at 3.2% in 2023, 2.5% in 2024 and 2.1% in 2025.

### Eurozone

- In June, the ECB hiked its three key interest rates by 25bps. The rates on the main refinancing operations, the marginal lending facility and the deposit facility were increased to 4.00%, 4.25% and 3.50% respectively.
- The Governing Council formally decided to end all reinvestments under the APP (Asset Purchase Programme) as of July 2023.
- Annual Inflation in the eurozone fell to 6.1% in May from 7.0% in April.
- The inflation outlook is still on the high side (headline inflation is expected to average 5.4% in 2023, 3.0% in 2024 and 2.2% in 2025). President Lagarde stated that a further hike in July is very likely and added that ECB has more ground to cover.

### UK

- The BOE surprised markets by raising its key interest rate by 50bps to 5.00% on June 21, its highest level since April 2008.
- Inflation in the UK is more sticky compared to other developed economies and rose to 8.7% in May but was unchanged from April.
- CPI inflation is expected to decrease significantly during the year due to a fall in energy prices.
- BOE's forecast on the path ahead was kept unchanged with the MPC reiterating its data-dependent approach.

### Mauritius

- The BOM kept its key rate unchanged at 4.50%, unchanged from its December policy.
- Annual inflation rate eased to 7.9% in May, down from 8.3% in April.
- Headline inflation is expected to decline to approximately 6.8% in 2023 and to reach the inflation target range of 2.00% - 5.00% in 2024.

26<sup>th</sup> June 2023

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Source: Federal Reserve, ECB, BOE, BOM, Bloomberg, Trading Economics, SEMDEX, Statistics Mauritius, MSCI.

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