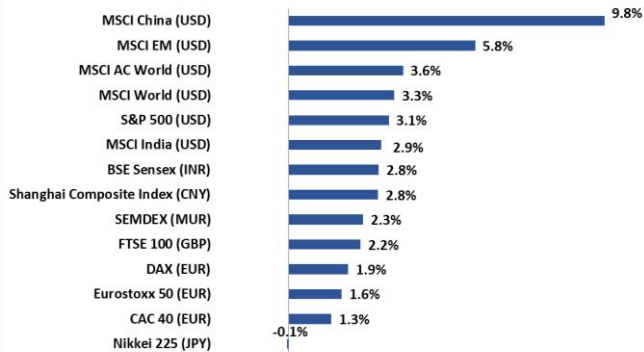


## MARKET SUMMARY

Equities: Jul 23 performance (in Index currency)



- Most global developed equity markets rose over the month of July.
- The US Fed raised interest rates by 25bps to 5.25%-5.5%. Interest rates in the US are at their highest levels since January 2001. The ECB raised interest rates by 25bps in its July meeting, the 9<sup>th</sup> consecutive rate rise, bringing the deposit rate to 3.75%.
- In the US, annual inflation rate slowed to 3.0% in June 2023, the lowest since March of 2021, compared to 4.0% in May and expectations of 3.1%. In the Eurozone, it eased to a 17-month low of 5.5% in June. China's inflation rate unexpectedly flattened in June. This was the lowest reading since a deflation in February 2021.
- India announced that it would stop exporting non-basmati white rice in order to help lower rice prices domestically and ensure domestic availability. India accounts for more than 40% of the global rice trade.
- The SEMDEX rose as investors' sentiment continued to be positive.
- Headline inflation in Mauritius for the 12-months ended July 2023 settled at 10.0% (compared to 8.4% for the previous period).
- Tourist arrivals stood at 704,298 for the period Jan-Jul 2023 (vs 765,530 for Jan-Jul 2019, pre-Covid period).

## CHINA'S GROWTH DILEMMA

### Weak economic data

- Latest economic data from China continues to disappoint and weighed on investors' sentiment.
- In July, retail sales slowed to 2.5% yoy (vs 3.1% in June), industrial production stood at 3.7% yoy (vs 4.4% in June), CPI decelerated from 0.0% in June to -0.3% in July and both imports (-12.4% yoy) and exports fell (-14.5% yoy),

worse than market forecasts.

- GDP for Q2 grew at an annualized rate of 6.3% (0.8% qoq) compared to 4.5% in Q1 (2.2% qoq) but below market estimates of 7.3%.

### Property market

- The property market in China remains a source of major concern.
- Despite ongoing government policy support, the 70-city average property price declined by 0.1% yoy in July from 0.0% in June, new home sales fell by 19.0% yoy in July (unchanged from last month) and property investment slid 8.5% in the first seven months from a year ago (vs 7.9% for the first half of the year).
- Country Garden (one of China's largest real estate developers) faces a potential default after missing interest payments of \$22.5M on two USD bonds due on August 6. The company has a grace period of 30 days until early September for payment.
- Property developer Evergrande, which defaulted in 2021, filed for Chapter 15 bankruptcy protection in New York as the company undergoes a restructuring.

### Policy measures

- Monetary: The Central bank has cut key rates unexpectedly for the second time in three months to lower the funding cost in the economy. In both June and August 2023, the PBOC has lowered its seven-day reverse repo rate by 10bps, it is at 1.8% in August. The bank also cut its one-year medium-term lending facility (MLF) by 15bps to 2.5% in August after slashing the rate by 10bps in June (first reduction since August 2022).
- Property: In the July Politburo meeting, the Chinese Communist Party was more dovish. An important statement from April's statement was removed i.e., "housing is for living, not for speculation". Policymakers mentioned that they would adjust their property policies based on the state of the local property market rather than the nationwide one. China's state council reiterated that the government is also boosting the property segment by supporting the transformation of urban village redevelopment into mega cities.
- In the current environment, PeaQ believes that more stimulus measures will be needed from the government, especially for the housing market, to lift market sentiment.

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Source: South China Morning Post, CNBC, WSJ, Bloomberg, Trading Economics, BOM, SEMDEX, Statistics Mauritius, MSCI.

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