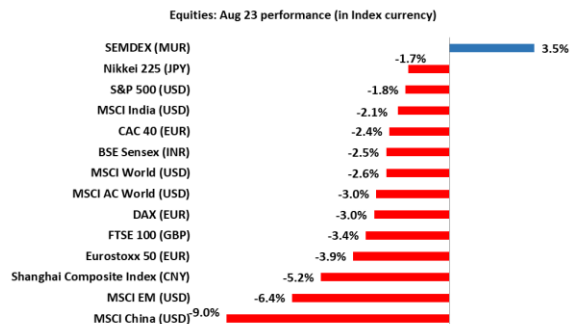


MARKET SUMMARY



- Most global equity markets were negative over the month as they faced several headwinds: rising bond yields, US government credit rating being downgraded from AAA to AA+, persistent inflation in Europe and weak economic data from China.
- In the US, the unemployment rate rose from 3.5% in July to 3.8% in August 2023 (above market expectation of 3.5%), the highest level since February 2022.
- In Europe, preliminary figures showed that annual inflation rate hit 5.3% in August (above market expectation of 5.1%).
- The BoE raised its policy interest rate by 25 bps to 5.25% during its August meeting. This was the 14th consecutive increase of interest rates by the BoE as inflation rates remained on the high side (6.8% in July).
- China's financial regulator announced measures to boost the economy as signs of slowdown weighed on investors.
- The SEMDEX rose as investors' optimism continued to be high.
- Headline inflation for the 12-months ended August 2023 settled at 9.6% (compared to 8.8% for the previous period). It is the first time that inflation is below double-digit figures since the beginning of 2023.
- Tourist arrivals stood at 803,288 for the period Jan-Aug 2023 (vs 872,805 for Jan-Aug 2019).

GLOBAL CENTRAL BANKS POLICIES (POST AUGUST)

US

- Fed opted to hold interest rates steady at its September meeting with a target range for the Fed funds rate at 5.25% - 5.50%.
- The dot plot of rate projections showed most Fed officials foresee one additional rate hike this year.
- FOMC's interest rate projections were more hawkish than

expected with the median Fed funds rate of 5.6% in 2023 (unchanged from June's projection), 5.1% in 2024 (vs 4.6% in June's projection) and 3.9% in 2025 (vs 3.4% in June's projection).

- According to the economic projections of the Fed, median real GDP is expected to grow by 2.1% in 2023, 1.5% in 2024 and 1.8% in 2025 while PCE (personal consumption expenditures) inflation is forecast to come in at 3.3% in 2023, 2.5% in 2024 and 2.2% in 2025.

Eurozone

- In September, ECB hiked its three key policy rates by 25bps. The interest rates on the main refinancing operations, marginal lending facility and the deposit facility were increased to 4.50%, 4.75% and 4.00% respectively.
- ECB staff projections showed average inflation for the euro area at 5.6% in 2023, 3.2% in 2024 and 2.1% in 2025. Previous forecast in June for the headline inflation was at 5.4% in 2023, 3.0% in 2024 and 2.2% in 2025. GDP growth was revised down to 0.7% in 2023, to 1.0% in 2024 and to 1.5% respectively in 2025.
- The Governing Council continues to pledge that rates will be set at sufficiently restrictive levels and the policy will follow a data-dependent approach.

UK

- The BOE MPC voted to hold its key rate at 5.25% due to a surprise fall in services inflation, signs of labour market loosening and a weaker activity outlook.
- CPI inflation is expected to decrease significantly during the near term despite renewed upward pressure from oil prices. GDP growth forecast for 2023Q3 was lowered to 0.1% (from 0.4% previously).
- The MPC retained its data-dependent guidance and added that further tightening would be needed if there were evidence of more persistent inflationary pressures.

Mauritius

- The BOM kept its key rate unchanged at 4.50%, in September.
- Headline inflation is expected to maintain a downward trend and to reach approximately 7.0% in December 2023.
- Real GDP growth for 2023 is projected to reach a target range of 6.5% - 7.5%

27th September 2023

For more information about our services, please contact:

André Chung Shui

Managing Director
+230 52 51 22 16
ac@peaqadvisors.com

Michael Yap San Min

Senior Investment Manager
+230 55 00 90 88
my@peaqadvisors.com

Ishrat Cheeroo

Senior Investment Manager
+230 55 01 29 00
ic@peaqadvisors.com



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

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