PeaQ News

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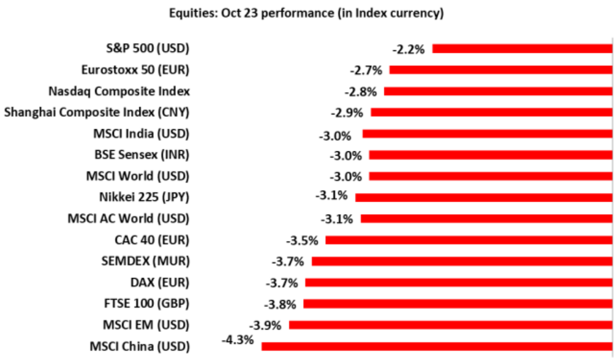
MARKET SUMMARY



- Global equity markets finished the month in the red.
- The outbreak of war in the Middle East was the main factor that triggered volatility in markets and weighed on investors' risk appetite.
- In the developed world, Central Banks' actions continued to be closely monitored. Expectations that interest rates may remain higher for longer is a key concern for investors.
- The RBI kept the policy repo rate unchanged at 6.5%. It also maintained its GDP growth forecast for fiscal year 2023-24 (FY24) unchanged at 6.5% yoy. Its projection for inflation is 5.4% for 2023-24.
- In the US, the latest data showed that GDP expanded at an annualized rate of 4.9% in Q3 2023, the most since Q4 2021 and above market expectation of 4.3%.
- Reports of new US restrictions on AI chip exports to China also dampened market sentiment.
- Gold prices rose by more than 7% as the events in the Middle East led to a flight to safe-haven assets.
- The SEMDEX fell as global pressures weighted on the local bourse.
- Headline inflation for the 12-months ended October 2023 settled at 8.4% (compared to 9.9% for the previous period).
- Tourist arrivals stood at 1,026,771 for the period Jan-Oct 2023 vs 755,655 for the previous period. (This figure stood at 1,102,660 for the period Jan-Oct 2019).

GLOBAL CENTRAL BANKS POLICIES (POST OCTOBER)

US

- All participants at the November FOMC meeting agreed to keep the target range for the federal funds rate unchanged, with the federal funds rate at 5.25%- 5.50%.
- The committee noted that, over the recent months, inflation was slowing but stressed that it remained unacceptably high. Headline inflation eased in October to 3.2% yoy down from 3.7% in September.
- FOMC participants highlighted that future data would help to clarify the extent of additional tightening needed to return inflation to the Fed's 2% target.
- The economic forecast at the November meeting was similar to the September projection.
- Real GDP growth in 2024 and 2025 is expected to be below its estimate of potential growth (1.8%) while the unemployment rate is forecast to remain flat through 2026 (4.1%).

Eurozone

- In October, the Governing Council kept the three key ECB interest rates unchanged. Interest rates on the main refinancing operations, marginal lending facility and the deposit facility remained at 4.50%, 4.75% and 4.00% respectively.
- The ECB reiterated that inflation has remained too high for too long, but also mentioned the recent marked drop in inflation in September (4.3% yoy vs 5.9% in August) and the progress on underlying inflation.
- In the near term, inflation is likely to come down further due to a fall in energy and food prices. However, food prices remain high by historical standards and energy prices have become less predictable in view of the new geopolitical tensions.
- The ECB did not provide an update on the policy outlook. It will continue to follow a data-dependent approach to determine the appropriate level and duration of monetary restriction.

UK

- At its November meeting, the BOE MPC voted to maintain the bank rate at 5.25%.
- Annual Inflation in the UK fell from 6.7% to 4.6% in October 2023. It is expected to be around 4.5% in Q1 2024 and 3.75% in Q2 2024 due to lower energy, core goods and food price inflation.
- The MPC mentioned that it will continue to monitor closely inflationary pressures, and resilience in the economy, and indicated that monetary policy is likely to be restrictive for an extended period to return inflation to the 2.0% target level.

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