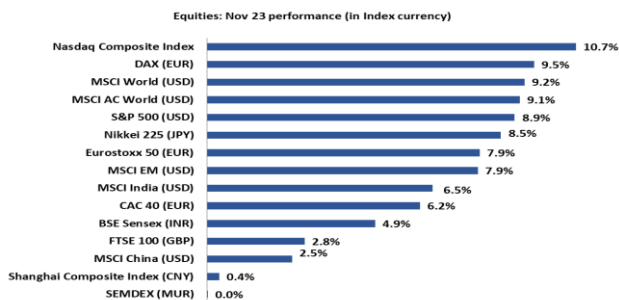


MARKET SUMMARY



- After three months of negative returns, global equity markets rallied in November as bond yields reversed and inflation rates fell.
- In the US, headline inflation slowed from 3.7% in September to 3.2% in October. In Europe, it fell from 4.3% in September to 2.4% in November (reaching its lowest level since July 2021) and in the UK it dropped from 6.7% y-on-y in September to 4.6% y-on-y in October.
- The US 10Y yield fell from 4.93% in October to 4.33% in November, leading to a rally in the equities market as investors expect that the rate hike cycle is over and bond yields to have peaked.
- In China, although the government announced more stimulus measures the response has been muted and the property markets remained depressed.
- Gold prices continued to rise as geopolitical instability provides support for safe haven assets.
- Oil prices fell for the second consecutive month amid signs of increasing global supplies and weakening demand.
- The SEMDEX was mostly flat over the month.
- Headline inflation for the 12-months ended November 2023 settled at 7.7% (compared to 10.3% for the previous period).
- The MPC kept the Key rate unchanged at 4.5%. Real GDP growth is expected to be above 7.0% for 2023. Headline inflation is projected to be 7.0% in 2023 and 4.0% by end-2024.

INVESTING IN THE JAPANESE EQUITY MARKET

- The Japanese equity market rose in November, the Nikkei posted its best monthly performance of 8.5% during the month in two years, due to a strong earnings season and a weaker yen. The index is up by 28.3% YTD (as at end of November).
- Japanese equities have been supported YTD by numerous factors such as BOJ's dovish monetary policy and the

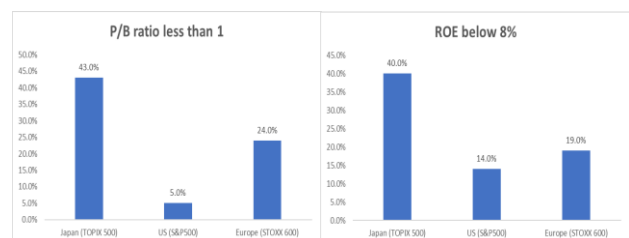
Tokyo Stock Exchange's (TSE) corporate governance reform.

BOJ policy

- In December, the BOJ held its monetary policy meeting and maintained the status quo in its monetary policy with short-term policy rate maintained at -0.1% and a yield target at around zero for the 10-year JGB yields, with an upper limit of 1.0%.
- It is likely that BOJ would continue with its loose monetary policy due to high uncertainties surrounding economies and financial markets and until there is meaningful consumption recovery. The bank is aiming to achieve an inflation target rate of 2.0% in a sustainable and stable manner.
- Annual inflation fell to 2.8% in November from 3.3% in October while core inflation dropped to 2.5% in November from 2.9% in October.

Corporate governance reform

- In March 2023, the TSE published the list of actions taken by all companies listed on TSE prime and TSE standard for 'achieving management that is conscious of cost of capital and stock price'.
- According to the TSE, 43.0% of the major companies on the TOPIX 500 trade with a Price/Book ratio of less than 1 and 40.0% have Return on Equity below 8.0%, a much larger proportion compared to US and European equities. These figures demonstrate that there are issues in terms of profitability and growth potential for these corporates.
- Measures to improve profitability would include the increase in share buybacks and dividends. Moreover, efforts are expected from these companies at a fundamental level to maximize profit in excess of cost of capital to achieve sustainable growth.



- BOJ's dovish monetary policy for Q1 2024 and the TSE's corporate governance reform could give a further boost to the Japanese equity market for the early part of 2024.

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Source: Tokyo Stock Exchange, Bloomberg, Trading Economics, BOM, SEMDEX, Statistics Mauritius, MSCI.

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