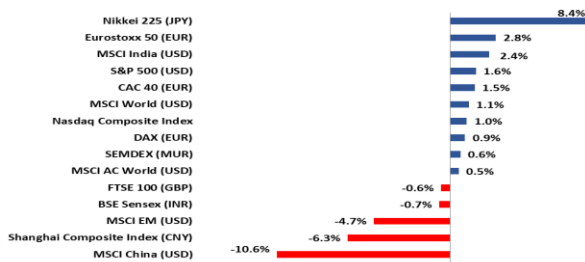


## MARKET SUMMARY

Equities: Jan 24 performance (In Index currency)



- US equities markets rallied in January as Q4 earnings of companies were being published. This rally was led by technology and communications companies which were riding on the enthusiasm for AI.
- In the US, wage growth of 4.1%, unchanged unemployment rate at 3.7% and better-than-expected GDP growth of 3.3% annualized for Q4 2023, contributed to added optimism from investors.
- In China, Q4 GDP growth was in line with expectations at 5.2% y-on-y but among its weakest levels over the past three decades.
- WTI and Brent prices rallied by +5.9% and +6.1% respectively due to ongoing tensions in the Middle East and disruption to shipping through the Suez Canal.
- In Mauritius, y-on-y inflation settled at 5.2% in January (compared to 11.8% for the previous period).
- Insurance companies are expected to face a surge in claims following the damage done to automobiles by the cyclonic weather. A shortage of vegetables and a rise in their prices are expected. Forced Bank holidays, are also expected to have an impact on the productivity of the country.

## GLOBAL CENTRAL BANK POLICIES

### US

- The FOMC maintained the target range for the federal funds rate between 5.25%-5.50% in January.
- The Committee noted that the fed funds rate had possibly reached its peak and did not expect to cut the rates until it had gained greater confidence that inflation was moving sustainably toward 2.0%.
- The Fed's economic forecast at the January meeting was slightly stronger than the December projection. Participants expected output to grow below its estimate of potential growth in 2024 (1.4%) and 2025 (1.8%) and to grow in line with potential in 2026 (1.9%). It was noted that a larger-than-expected erosion of households' financial positions could pose downside risks to growth.

- The projected path for the unemployment rate was revised down slightly following the upward revision to 2023 GDP growth. According to projections, unemployment rate is expected to increase from 3.8% in 2023 to 4.1% in 2024, 2025 and 2026 respectively.

### Eurozone

- In January, the Governing Council (GC) 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.
- On growth, officials widely acknowledged that activity would likely be weaker than expected in the short term but some forward-looking survey indicators point to a pick-up in growth further ahead.
- The GC highlighted that inflation is expected to come down further as the effects of past energy shocks, supply bottlenecks and the post-pandemic reopening of the economy fade and tighter monetary policy continues to weigh on demand.
- Members signalled that continuity, caution and patience were still needed, since the disinflationary process remained fragile and letting up too early could undo some of the progress made.

### UK

- The BOE voted to maintain its bank rate at 5.25% in January.
- In the MPC's latest near-term modal inflation projections, CPI inflation is expected to fall temporarily to the 2.0% target in Q2 2024 before increasing again in Q3 (2.2%) and Q4 (2.7%). CPI inflation is projected to be around 2.75% by the end of this year, 2.3% in two years' time and 1.9% in three years.
- The committee expects GDP growth to pick up gradually with 2024 and 2025 annual growth to be around 0.25% (vs 0% previously) and 0.75% (vs 0.25% previously) respectively.
- MPC will continue to monitor closely inflationary pressures, and resilience in the economy and will adjust its monetary policy as warranted by economic data to return inflation to the 2% target sustainably.
- Central banks tightening cycles are expected to be nearly done and the US recession has not materialized at the beginning of this year. A resilient US economy may continue to bode well for US equities.

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

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