

# Monthly Market Wrap

I February 2021

## Equity index returns (% local currency)

Index	1M	3M	6M	YTD	1Y	3Y	5Y	5Y Std Dev
S&P 500	+2.6%	+5.2%	+8.9%	+1.5%	+29.0%	+40.4%	+97.2%	15.0%
MSCI World	+2.5%	+5.6%	+11.1%	+1.4%	+27.4%	+28.7%	+76.3%	14.9%
MSCI World Small Cap	+4.9%	+14.8%	+29.2%	+7.0%	+38.9%	+29.9%	+86.5%	18.7%
MSCI Europe	+2.4%	+3.9%	+10.6%	+1.6%	+6.7%	+4.8%	+19.3%	14.0%
MSCI EM	+0.7%	+11.1%	+21.6%	+3.7%	+33.2%	+12.1%	+80.9%	17.2%
MSCI AC Asia	+1.3%	+9.2%	+19.6%	+3.3%	+32.8%	+16.5%	+73.3%	14.0%
SEMDEX	-2.4%	-0.3%	+1.3%	-3.1%	-26.6%	-30.3%	-11.7%	14.6%
DEMEX	+0.1%	+11.8%	+13.1%	+6.6%	-5.6%	-3.4%	+15.2%	8.1%

## Fixed income index returns (% local currency)

Index	1M	3M	6M	YTD	1Y	3Y	5Y	5Y Std Dev
Barclays Global Aggregate Bond	-1.7%	-1.3%	+0.3%	-2.6%	+4.3%	+12.0%	+19.4%	4.8%
Barclays US Aggregate Bond	-1.4%	-2.0%	-1.6%	-2.2%	+1.4%	+16.8%	+19.1%	3.3%
Barclays High Yield bond	+0.1%	+2.4%	+5.6%	-0.0%	+8.9%	+15.8%	+47.1%	9.0%
JP Morgan EMU IG Bond	-1.9%	-2.4%	+0.2%	-2.6%	-0.4%	+10.8%	+11.1%	4.0%
JP Morgan EM Bond	-2.9%	-2.4%	-0.4%	-4.3%	+0.7%	+14.1%	+33.1%	9.6%
FTSE Asian Broad Bond	-0.9%	-0.3%	+0.4%	-1.0%	+3.2%	+19.7%	+29.8%	4.6%

## Commodity prices

Commodity	Current \$	1M
WTI Crude Oil / Bbl	61.50	+17.8%
Brent Crude Oil / Bbl	66.13	+18.3%
Natural Gas / mmBtu	2.77	+8.1%
Copper / oz	409.45	+15.1%
Silver / oz	26.67	-1.2%
Gold / oz	1,734.04	+6.1%

## SEMDEX sector performance (%)

Index	Weight	1M
Financials	39.5%	-3.1%
Commerce	20.9%	-0.8%
Industry	9.6%	+1.3%
Investments	22.7%	-2.2%
Leisure & Hotels	5.8%	+9.7%
Property	0.3%	-3.9%
Sugar	0.5%	+9.1%
Transport	0.4%	0.0%
Foreign	0.3%	0.0%

## Secondary market yields - GoM

Tenor	91D	182D	364D	3Y	5Y	10Y	15Y	20Y
Current	0.17%	0.26%	0.37%	0.90%	1.40%	1.99%	2.49%	2.56%
-1M	0.17%	0.24%	0.33%	1.16%	1.32%	2.04%	2.39%	2.45%

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## Selected economic data\*

Index	Manufacturing PMI		Service PMI		Consumer confidence		CPI YoY	Policy rate	Unemployment
	Current	-1M	Current	-1M	Current	-1M	Current	Current	Current
US	58.60	59.20	59.80	58.30	91.30	88.90	1.7%	0.00%-0.25%	6.2%
Germany	60.70	57.10	45.70	46.70	85.00	82.00	1.3%	0.00%	6.1%
France	56.10	51.60	45.60	47.30	91.00	92.00	0.6%	0.00%	8.0%
UK	55.10	54.10	49.50	39.50	-23.00	-28.00	0.7%	0.10%	5.1%
Japan	51.40	49.80	46.30	46.10	33.90	30.10	-0.4%	-0.10%	2.9%
China	50.90	51.50	51.50	52.00	NA	122.80	-0.2%	4.35%	4.2%
India	57.50	57.70	55.30	52.80	NA	NA	5.0%	4.00%	6.9%

\*based on latest available data

## SBM Fund performance (% local currency)

Fund	Currency	Strategy	NAV	1M	3M	YTD	5Y Std Dev
SBM Perpetual Fund	MUR	Local fixed income	210.23	+0.2%	+0.8%	+0.6%	0.4%
SBM Universal Fund	MUR	Multi-asset	28.03	+0.4%	+2.2%	+0.7%	7.3%
SBM Yield Fund	MUR	Global fixed income	12.90	+0.1%	+2.3%	+2.0%	6.8%
SBM Growth Fund	MUR	Global equities	11.67	+0.2%	+2.9%	+0.7%	11.6%
SBM India Fund	USD	Indian equities	120.94	+6.1%	+13.2%	+5.0%	29.5%

## Commentary

Local equity indices registered mixed performances in February with the SEMDEX and DEMEX closing the month at 1,598.25 and 228.00 points, equivalent to respective performances of -2.4% and +0.1%. The main leading movers, that is, companies which contributed to the positive performance of the SEMDEX were CIEL, UBP and MUA while on the downside the main lagging movers were MCBG, SBMH and NMH. The top three gainers in terms of price returns were MOROIL (+9.4%), ASL (+4.9%) and UBP (+3.6%) and the top three losers were NMH (-20.8%), UDL (-10.8%) and POLICY (-10.1%). The price-earnings ratio and dividend yield of the SEMDEX stood at 11.40x and 2.22%, respectively, as at 26 February against corresponding figures of 11.75x and 2.21% as at 31 January. Net foreign disinvestments of MUR 906.7K (Jan-21: MUR 208.6M) were driven by the sell-offs in MCBG and PBL.

Global equities started the month strongly, driven by encouraging earnings reports and rapid Covid-19 vaccine deployment. Equity markets reached record highs by mid-February but the rise in commodity prices stoked fears of inflation and led to a selloff in bond markets. As 10Y US Treasuries yields rose, equity markets trimmed gains and the MSCI World index posted a return of 2.5% MoM.

The progress on the vaccine rollout and stimulus optimism were positive for risky assets but rising inflation fears capped gains - the S&P 500 index advanced by 2.6% MoM. Growth in manufacturing output moderated due to adverse weather conditions and the existing supply shortages. The Purchasing Managers' Index (PMI) edged down to 58.6 in February against a previous month's reading of 59.2.

Eurostoxx 50 added 4.5% during the month with the CAC 40 and the FTSE MIB indices registering respective returns of 5.6% and 5.9% while the DAX index gained 2.6%. The manufacturing sector grew at its fastest pace in three years with PMI rising from 54.8 in January to 57.9 in February. In UK, the FTSE 100 advanced by 1.2% MoM as vaccine rollout gained traction and surging commodity prices boosted mining and energy stocks. PMI rose slightly to 55.1 in February (Jan-21: 54.1) as shipping delays and Brexit-related trade frictions held back growth.

The Nikkei 225 posted 4.7% after recovery hopes lifted cyclical stocks. Japan's manufacturing sector expanded for the first time since April 2019 as firms reported growth in output and new order flows; PMI strengthened to 51.4 in February against 49.8 in January. Japan's GDP grew an annualized rate of 12.7% following strong private consumption and investment expenditure.

Emerging equities lagged developed markets after the MSCI Emerging Markets index added only 0.7% in February. In China, the CSI 300 registered -0.3% in local currency and -1.0% in USD terms as worries of policy tightening weighed on sectors with high valuations. Manufacturing output expanded modestly amid softer rise in production; the PMI slipped to a nine-month low of 50.9 in February against 51.5 in January. In India, the BSE Sensex index reached an all-time high of 52,154.13 points on 15 February but retracted thereafter. The index posted 6.1% MoM, buoyed by improving corporate earnings and optimistic global sentiment. Despite the improved demand conditions and the strong growth in operating conditions, PMI fell marginally to 57.5 in February against the previous month's reading of 57.7.

At fixed income level, the Barclays Global Aggregate Bond index retreated -1.7% MoM amid the bond market selloff that was fueled by the improved growth outlook and rising inflation expectations. Fed Chairman J. Powell assured markets that the Fed is committed to its current monetary policy stance and also ruled out any short-term tapering. The ECB extended its bilateral euro liquidity lines to non-euro area central banks to March 2022. No MPC meeting was held by the Fed and the ECB in February.

Regarding commodities, the S&P GSCI index rallied by 10.6% in February supported by the rise in crude oil and industrial metal prices. Brent and WTI oil prices advanced by 18.3% and 17.8% amid falling US crude oil inventories, production cuts from OPEC members and prospects of faster economic recovery. Copper added 15.5% MoM as bets on economic recovery led to pent up demand while precious metals posted negative performances with Gold and Silver posting -6.8% and -8.2%, respectively.

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