

Monthly Market Wrap

I December 2023

Equity index returns (% local currency)

Index	1M	3M	6M	YTD	1Y	3Y	5Y	5Y Std Dev
S&P 500	+4.4%	+11.2%	+7.2%	+24.2%	+24.2%	+27.0%	+90.3%	18.5%
MSCI World	+4.8%	+11.1%	+6.8%	+21.8%	+21.8%	+17.8%	+68.2%	18.3%
MSCI World Small Cap	+9.5%	+12.1%	+6.8%	+13.8%	+13.8%	+4.0%	+47.7%	22.0%
MSCI Europe	+3.6%	+6.1%	+3.5%	+12.7%	+12.7%	+21.6%	+40.7%	16.1%
MSCI EM	+3.7%	+7.4%	+3.5%	+7.0%	+7.0%	-20.7%	+6.0%	19.1%
MSCI AC Asia	+4.4%	+7.7%	+3.8%	+8.8%	+8.8%	-15.3%	+15.5%	17.2%
SEMDEX	-1.3%	-4.9%	+3.6%	-0.8%	-0.8%	+23.6%	-8.1%	16.5%
DEMEX	+0.5%	-2.2%	+5.9%	+0.3%	+0.3%	+25.1%	+13.6%	11.4%

Fixed income index returns (% local currency)

Index	1M	3M	6M	YTD	1Y	3Y	5Y	5Y Std Dev
Barclays Global Aggregate Bond	+4.2%	+8.1%	+4.2%	+5.7%	+5.7%	-15.6%	-1.6%	7.5%
Barclays US Aggregate Bond	+3.8%	+6.8%	+3.4%	+5.5%	+5.5%	-9.6%	+5.6%	6.2%
Barclays High Yield bond	+4.0%	+8.6%	+8.4%	+14.0%	+14.0%	+0.5%	+21.1%	11.0%
JP Morgan EMU IG Bond	+3.6%	+7.0%	+4.4%	+7.0%	+7.0%	-15.3%	-4.8%	6.6%
JP Morgan EM Bond	+5.0%	+9.7%	+6.7%	+10.8%	+10.8%	-11.4%	+8.8%	12.2%
FTSE Asian Broad Bond	+3.1%	+6.4%	+4.3%	+7.7%	+7.7%	-7.5%	+10.9%	6.7%

Commodity prices

Commodity	Current \$	1M
WTI Crude Oil / Bbl	71.65	-5.7%
Brent Crude Oil / Bbl	77.04	-7.0%
Natural Gas / mmBtu	2.51	+10.3%
Copper / oz	389.05	+1.8%
Silver / oz	23.80	-5.8%
Gold / oz	2,062.98	+1.3%

SEMDEX sector performance (%)

Index	Weight	1M
Financials	43.6%	-1.6%
Commerce	15.7%	-2.9%
Industry	6.3%	+3.4%
Investments	20.4%	-1.1%
Leisure & Hotels	9.3%	+2.4%
Property	3.8%	+2.1%
Sugar	0.6%	+2.2%
Foreign	0.2%	0.0%

Secondary market yields - GoM

Tenor	91D	182D	364D	3Y	5Y	10Y	15Y	20Y
Current	3.62%	3.88%	4.01%	4.67%	4.74%	4.93%	5.28%	5.67%
-1M	3.73%	3.88%	4.07%	4.31%	4.48%	4.70%	4.96%	5.26%

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Selected economic data*

Index	Manufacturing PMI		Service PMI		Consumer confidence		GPI YoY	Policy rate	Unemployment
	Current	-1M	Current	-1M	Current	-1M	Current	Current	Current
US	47.9	49.4	51.4	50.8	110.7	101.0	3.4%	5.25% - 5.5%	3.7%
Germany	43.3	42.6	49.3	49.6	89.0	90.0	3.7%	4.5%	5.8%
France	42.1	42.9	45.7	45.4	89.0	88.0	3.7%	4.5%	7.4%
UK	46.2	47.2	53.4	50.9	-22.0	-24.0	4.0%	5.3%	4.3%
Japan	47.9	48.3	51.5	50.8	36.7	35.5	2.6%	-0.1%	2.5%
China	50.8	50.7	52.9	51.5	NA	87.0	-0.3%	4.4%	4.0%
India	54.9	56.0	59.0	56.9	NA	NA	5.7%	6.5%	7.7%

*based on latest available data

SBM Fund performance (% local currency)

Fund	Currency	Strategy	NAV	1M	3M	1Y	5Y Std Dev
SBM Perpetual Fund	MUR	Local fixed income	234.91	+0.3%	+0.8%	+4.7%	0.4%
SBM Yield Fund	MUR	Global fixed income	11.51	+1.0%	+1.0%	+6.0%	7.9%
SBM Universal Fund	MUR	Multi-asset	32.22	+1.2%	+2.0%	+8.8%	8.3%
SBM Growth Fund	MUR	Global equities	14.30	+2.4%	+4.2%	+13.5%	13.8%
SBM India Fund (Class B)	USD	Indian equities	166.55	+7.3%	+10.8%	+26.0%	27.4%

Commentary

For the last month of the year 2023, local indices posted divergent performances with the SEMDEX heading south to 2,038.10 while the DEMEX recouped part of its past month's losses to close at 267.46; equivalent to respective return of -1.3% and +0.5%. The main leaders, that is, companies which contribute to the positive performances of the SEMDEX were NMHL, LUX and ASCE while the main laggards were MCBG, IBLL and PBL. The top three price gainers were MCFI (+27.5%), NMHL (+6.2%) and MEDINE (+3.0%) while the main detractors were CAUDAN (-7.5%), PIM (-7.5%) and HMALLAC (-6.6%). The price-earnings ratio and dividend yield of the SEMDEX stood at 6.45x and 4.29%, respectively as at 31 December against corresponding figures of 6.53x and 4.22% as at 30 November. Foreigners were heavy sellers during the month as net outflows hit MUR 116.2M (vs. MUR 14.3M in Nov-23).

International equities hovered near record highs in December, buoyed by expectations that central banks may soon start cutting interest rates. US 5-year and 10-year yields fell below 4% as investors piled on equities, with small-caps performing remarkably well. The MSCI World index gained 4.8% MoM.

The S&P 500 index posted 4.4% in December, supported by subsiding inflation news and the softer tone of the Fed. Manufacturing activity witnessed further declines during the month as the downturn in new orders intensified and output fell at its fastest pace since August. 10 of the major industry groups recorded positive performances, led by Real Estate, Industrials and Consumer Discretionary. Value stocks outperformed their growth counterparts, with the S&P Value index registering 5.4% against 3.6% for the S&P Growth index. The S&P Global US Purchasing Managers' Index (PMI) edged down from 49.4 in November to 47.9 in December, reflecting the marked weakness in both the domestic and external demand conditions.

The Eurostoxx 50 index added 3.2% MoM as rate cut optimism fuelled a year-end rally. Cooling inflation further lifted investor sentiment. The CAC 40 and FTSE MIB indices recorded respective performances of 3.2% and 2.1% while the DAX 30 index posted 3.3%. The Eurozone manufacturing sector remained in contractionary territory due to the sustained decline in both activity and demand. The slump in output extended into a seventh successive month with the latest PMI reading at 44.4 in December against 44.2 in November. In the UK, the FTSE 100 index gained 3.7%. PMI edged down from 47.2 in November to 46.2 in December amidst weakening demand in both the domestic and key export markets.

In Japan, the Nikkei 225 index lagged its global peers, registering -0.1% MoM. December marked another month of worsening operating conditions in the manufacturing sector with PMI further tumbling to 47.9 in December from 48.3 in November, remaining below the neutral 50-threshold. Output and new orders remained on a downtrend following depressed demand and ongoing global market uncertainty. Input cost inflation remained elevated, surging to a three-month high on account of increased raw material prices and adverse exchange rate movements.

Emerging markets' equities trailed developed markets after the MSCI Emerging Markets index posted 3.7% in December, weighed down by the underperformance of Chinese equities. The CSI 300 index ended the month as the worst performer among broad market indices, posting -1.9% in local currency and -1.4% in USD. Operating conditions improved following a stronger rise in new orders, supported by better market conditions and larger consumer spending. The manufacturing PMI inched up from 50.7 in November to a 3-month high of 50.8 in December. In India, the BSE Sensex index rallied by 7.8% MoM amid bullish bets on the economy. The manufacturing sector maintained its expansionary path, driven by favourable market conditions and significant rises in both new order inflows and production; PMI stood at 54.9 in December against a previous reading of 56.0. Input cost inflation remained at its weakest in three and a half years.

At fixed income level, the Barclays Global Aggregate Bond index registered 4.2% in December. The 10-year US Treasury yield dropped by 45bps to 3.88% in December, following the decline in key inflation prints. The US Federal Reserve (Fed) kept its interest rates unchanged at 5.25%-5.50% at its December meeting, holding off on any monetary policy changes. The Fed, however, hinted to three quarter percentage point cuts in 2024 projections. The ECB pushed back against bets on rate cuts and maintained key interest rates at its December meeting, reaffirming that borrowing costs would remain at its current levels despite lower inflation expectations. Accordingly, the interest rate on the main refinancing operations, the interest rates on the marginal lending facility and the deposit facility stood at 4.50%, 4.75% and 4.00%, respectively.

On the commodity side, the S&P GSCI index posted -3.3% MoM after crude oil prices retreated. The corresponding price of Brent and WTI declined by -7.0% and -5.7% after increased concerns of a glut in 2024 outweighed the fresh supply curbs from OPEC+. Within industrial metals, Copper price maintained an upward trajectory, gaining 1.6% amidst tighter supplies from mine closures while Silver fell by -5.8% MoM. The price of Gold crossed a record high of \$ 2,100 per ounce, adding 1.3% in December. Geopolitical uncertainty amid the Israel-Hamas conflict, a weakening US dollar and expectations of rate cuts lifted demand for the safe haven asset.

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