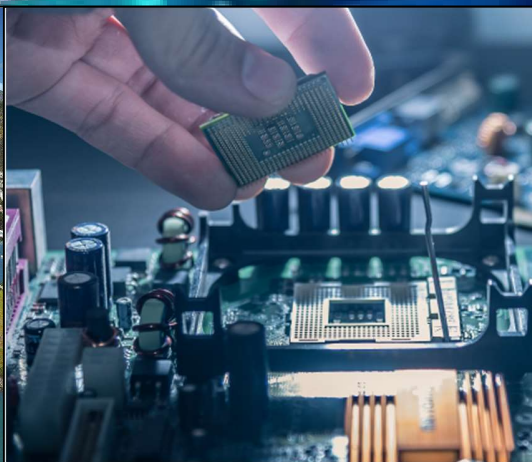


Stock Exchange of Mauritius: Newsletter

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1. EXCHANGE INSIGHT:



\$25 Trillion Wiped Off Global Stock Markets in 2022, WFE WFE's FY 2022 Market Highlights Report Reveals

Introduction: *New data published by the World Federation of Exchanges (WFE), the global industry group for exchanges and central clearing counterparties, indicates that \$25 trillion was wiped off global stock markets in 2022. The WFE's FY 2022 Market Highlights Report published on 17 March 2023, reveals that stock markets declined by 20% in market capitalisation and 10% in value traded in 2022, interrupting the positive trend observed in the two previous years. Factors that caused last year's slump include the aftermath of the Covid-19 pandemic which caused inflationary trends fuelled by strong consumer demand and supply bottlenecks exacerbated by the war in Ukraine and the sanctions against Russia, which increased energy prices, especially for European countries. China's renewed Covid lockdown, with stringent measures enforced for most of the year, strained the global supply chain, increasing prices of imported goods. Investment cooled down in the equity market as a result of the high inflation environment, alongside the tightening of monetary policies which included raising interest rates across most economies.*

The WFE's Market Highlights Report flags a noticeable decline in the global stock market for 2022, both in market capitalisation (-20%) and in value traded (-10%), interrupting the positive trend observed in the two previous years. Several defining themes and drivers emerge. First, the inflationary trends fuelled by strong consumer demand and supply bottlenecks in the aftermath of the pandemic were exacerbated by the war in Ukraine and the sanctions against Russia, which increased energy prices, especially for European countries. In addition, stringent COVID lockdown requirements in China, enforced most of the year, strained the global supply chain, increasing prices of imported goods. The high inflation environment, alongside the tightening of monetary policies (including raising interest rates across most economies), cooled down investment in the equity market. The decline in the equity market indicators was more noticeable in the technology sector, which experienced a "tech plunge". Although the linkages of the crypto markets with the traditional financial markets are still limited, it is worth noting that the collapse of the crypto trading platform FTX brought to the surface a lack of regulatory oversight and proper corporate governance in these platforms, highlighting the importance of regulated exchanges as the trusted, industry gold-standard.

Finally, with the exception of commodity derivatives, volumes of exchange-traded derivatives continued with their positive trend, with a pronounced increase in the case of options, which could be due to a higher need to hedge against (or even speculate on) market uncertainty.

The key points of the WFE's Market Highlights Report are summarized below into three groupings.



Cash equity

- Global equity market capitalisation declined about 20% in 2022 compared to the end of 2021, with all regions declining significantly. In absolute terms, this represents more than 25 trillion US dollars which have been wiped off the stock markets worldwide.
- While trading value fell about 10% globally in 2022, with trading value declining in every region, global volumes increased about 5%, with every region contributing to this result. 2022 recorded the highest global volumes in the last six years (48.32 billion trades) and the highest regional volumes during the same period: the Americas (13.44 billion trades), APAC (31.13 billion trades) and the EMEA region (3.74 billion trades).
- The average trade size was at its lowest level in the last six years (at USD 3,014.58 /trade), with every region recording a minimum: the Americas (USD 6,048.73/trade), APAC (USD 1,656.34/trade) and the EMEA (USD 3,411.72/trade) This result suggests that more retail investors came to the market in 2022.
- The number of IPOs and the capital raised through IPOs declined sharply compared to 2021 (-50% and -65%, respectively).
 - o The drop was recorded across all regions but was particularly intense in the Americas , with the number of IPOs and the capital raised through IPOs falling 81% and 95%, respectively.
 - o The average size of an IPO decreased globally from USD 183.72 million/IPO in 2021 to USD 126.30 million/IPO in 2022, with all regions recording the same trend although with different magnitude. While the average size of IPO in the Americas fell 75%, in APAC the decline was modest (-5.8%).
 - o American markets opened their doors to 127 IPOs in 2022 generating USD 10.23 billion, with an average size of IPOs of USD 80.52 million. This was possible thanks to some notable IPOs: Nasdaq hosted in July ECB Bancorp, a co-operative bank in Massachusetts, raising USD 89.15 million; in September, Third Harmonic Bio, a biotechnology company, generated USD 94.38 million; in October, Mobileye Global, a system software company, increased its capital by USD 861 million, making it the largest IPO of the region in the second half of the year; and Prime Medicine, that went public for USD 175 million. In November, the same venue was chosen by Acrivon Therapeutics, raising USD 94.38 million.
 - o APAC markets hosted 947 IPOs in 2022 generating USD 131.82 billion, an average of USD 139.20 million/IPO. In July Hong Kong Exchanges and Clearing was the venue of choice for Tianqi Lithium Corporation, a mining company, raising USD 1.71 billion, while in August it hosted China Tourism Group Duty Free Corporation which went public for USD 2.34 billion, making it the largest listing of the region in the second half of the year. In the same month Shanghai Stock Exchange welcomed Shanghai United Imaging Healthcare Company, for USD 1.60 billion, while in October Shenzhen Stock Exchange opened its doors to Arrow Home Group, which produces and sells smart home products, raising USD 2.27 billion; and to Mehow Innovative, which researches and manufactures medical devices, raising USD 2.08 billion.
 - o EMEA markets welcomed 301 IPOs in 2022, raising USD 31.62 billion, with an average of USD 105.06 million/IPO. In September Deutsche Boerse hosted Porsche, the largest IPO in the world in the second half of the year, which raised USD 9.21 billion. Saudi Exchange (Tadawul) welcomed Arabian Drilling Co to go public for USD 710.30 million, while ending the year hosting Americana Restaurants International for USD 1.8 billion.

Exchange-traded derivatives

- The number of exchange-traded derivatives contracts, including both options and futures, reached their highest level in the last six years, amounting to 56.17 billion for options and 29.59 billion for futures (84.76 billion derivatives contracts traded). This represents a 34.4% increase compared to 2021.
 - o This increase was driven mostly by options, which rose 63.8% (and account for 65% of all derivatives contracts traded), while futures had a 0.7% uptick. Such an increase in option trading volume could be due to the increasing need to hedge against (or even speculation on) market uncertainty.



- o Volumes across all underlying asset classes increased, with the exception of single stock options, commodity futures and ETF futures, where volumes declined year-on-year.
- o All three regions recorded their peak over the last six years in 2022: the Americas region 26.84 billion, APAC region 50.32 billion, and EMEA region 7.60 billion contracts traded. However, the growth varied significantly between regions. While APAC grew 67.4%, EMEA recorded a 0.1% uptick and the Americas region a 5.6% increase.
 - Commodity derivatives were the only product line whose overall volumes (that is, considering both futures and options) declined in 2022 (-14.5%), while equity, currency, and ETF derivatives volumes witnessed double digit increases (48.4%, 48.2%, and 36.9%, respectively).
 - Interest rate derivatives volumes increased 8.5% year-on-year. • While the equity, currency and ETF derivatives increased their share in volumes traded, commodity and interest rate derivatives decreased their share.
 - Single stock futures, stock index options, stock index futures, currency options, currency futures, commodity options, interest rate futures and ETF options reached their highest level in volumes in the last six years.
 - Stock index options, which account for the highest share (41.8%) of derivatives contracts, recorded the highest increase in volumes (117.4%) of all product lines relative to 2021. Notably, stock index options traded at the National Stock Exchange of India increased 134.5% compared to 2021, amounting to 32.57 billion contracts, by far their highest annual figure in the last six years.
 - After stock index options, currency options is the other product line which recorded three digit year-on-year increase (104.9%), mostly due to the same exchange, National Stock Exchange of India, where 98% of global volumes of currency options are traded and which grew 111% year-on-year.
 - Record volumes of single stock futures in 2022, which are mostly traded in the EMEA region (52% share), are due mainly to the performance of Borsa Istanbul, which accounts for 44% share of global volumes and grew 42.6% year-on-year, but also to B3 – Brasil Bolsa Balcao (24% share) which went up 44.1% in 2022.
 - Interest rate futures performance is mostly due to the CME Group, which accounts for 52% share of global volumes.
 - Interest rate derivatives: 4 Year-on-year, short-term (STIR) derivatives and long-term (LTIR) derivatives volumes increased 25.1% and 6.4%, respectively, with all product lines going up: STIR options (19.5%), STIR futures (27.1%), LTIR options (10.9%), LTIR futures (5.7%).
 - Commodity derivatives: 5, 6 Most commodity derivatives declined year-on-year: agriculture (-12.9%), energy (-11%), index (-56%) and precious metals (-19%). Other commodity derivatives increased 13.6%, while derivatives on non-precious metals remained constant.

Other products

- While the number of listed exchange-traded funds (ETFs) increased only 5% when compared to 2021, the ETF value traded increased considerably (32.2%), due to increases in every region.
 - The number of listed securitised derivatives (SD) went slightly up year-on-year (2.6%), but the value traded declined year-on-year (-21.6%), due to declines in every region.
 - The number of listed investment funds (IF) fell year-on-year (-6.1%) while the value traded increased 12.5%. EMEA region recorded declines in both number of listed investment funds and value traded, while in the Americas both changes were positive. The APAC region recorded the largest drop in the number of listed funds and the largest increase in value traded.

Source: *The World Federation of Exchanges Ltd, WFE's FY 2022 Market Highlights Report*



2. TRADING DASHBOARD:



The main indices of the local market ended the week in negative territory. The total return index of the Official Market, the SEMTRI, lost 43.12 points during the week to close the session of Friday, 24 March 2023, at 8,077.74 points. The SEMDEX lost 0.53% during the week and closed the same session at 1,967.03 points. The SEM-10 Index, which comprises the ten largest and liquid stocks, closed at 359.00 points. At market close of Friday, the total market capitalization of the SEM-ASI constituents stood at Rs 314.1 billion.

Weekly transactions amounted to Rs 234.8 million. The top five trading securities during the week were: CM Diversified Credit Ltd, MCB Group Limited, notes of MCB Group Limited, SBM Holdings Ltd and bonds of SBM Holdings Ltd. They were exchanged for a total value of Rs 93.6 million, Rs 50.1 million, Rs 25.1 million, Rs 10 million and Rs 8 million respectively.

Of the 60 listed stocks, 7 stocks went up during the week, 19 were losers whilst 34 remained unchanged. The top gainers were: The Mauritius Development Investment Trust Ltd (+3.50%), National Investment Trust Ltd (+1.42%), P.O.L.I.C.Y Ltd (+1.20%), Harel Mallac Ltd (+1.18%) and IBL Ltd (+0.57%). The worst 5 performers were: Caudan Development Ltd (-6.25%), MUA Ltd (-5.66%), Fincorp Investment Ltd (-2.99%), Lottotech Ltd (-2.35%) and BMH Ltd (-2.13%).

The ten best performing stocks in terms annualized total return since their listing on the stock exchange are: MCB Group Limited, Vivo Energy Mauritius Limited, MUA Ltd, Rogers & Company Limited, Gamma Civic Ltd, Swan General Ltd, United Basalt Products Ltd, Mauritius Oil Refineries Ltd, CIM Financial Services Ltd and Phoenix Beverages Ltd. The annualised total return varies from 13.87% to 19.56%.

On the Development & Enterprise Market (DEM), the DEMEX and the DEMTRI closed the session of Friday, 24 March 2023, at 258.03 points and 401.37 points respectively. Market capitalization of the DEM stood at Rs 50.7 billion. A total value of Rs 6.3 million has been traded during the week. The ten best performers in terms of annualized total return are Kolos Cement Ltd, The Bee Equity Partners Ltd, Livestock Feed Ltd, United Bus Service Ltd, Swan Life Ltd, Associated Commercial Ltd, ABC Motors Company Ltd, Phoenix Investment Company Ltd, Compagnie Immobilière Ltée and Les Moulins de la Concorde Ltée. The total return varies from 14.88% to 21.89%.

On the international front, the Dow Jones Industrial Average lost 0.44% while the NASDAQ gained 0.60% during the week. The DAX, the FTSE-100 and the CAC-40 gained 1.63%, 1.21% and 1.62% respectively during the same week.



2. CAPACITY BUILDING:



Impact of ESG performance on firm value and profitability

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The authors examine impact of Environment, Social, Governance (ESG) performance on firm value and profitability. Findings suggest that overall ESG combined score is positively and significantly associated with firm value. Individual Social and Governance scores have a positive and significant relationship while Environment score does not have a significant relationship with firm value. On the other hand, ESG combined score, Environment, Social, and Governance scores have positive and significant relationships with firm profitability. These findings suggest that investing in high ESG performance promises financial return for the firm in terms of both value and profitability.

LINK: <https://www.sciencedirect.com/science/article/pii/S221484502200103X>

Note: As part of our capacity building work and of our role in facilitating knowledge transfer at the level of the SEM, we share one salient academic research paper in every monthly SEM newsletter, that has recently been published and is relevant to the stock market space (even if SEM may not agree with them).

