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**SBM MONTHLY MARKET COMMENTARY FEBRUARY**

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## UNITED STATES OF AMERICA

## Some Key Points:

**Is it interest rate normalisation?...  
A rocky start to an economic recovery...**

The month of February witnessed a spectacular performance of the dollar, with the dollar index hitting a 9 month high of 81.342. The dollar traded at a multi-month peak against the European single currency as investors held back on speculative risky positions.

The start of the month kicked off with an optimistic outlook. US factory orders rose by 1.00 percent in December boosting appetite for risk. Improving economic data and strong corporate earnings in the US also added to risk appetite, driving the dollar down. Unemployment rate fell to 9.70 percent in February from 10 percent in the previous month. After Germany announced measures to help Greece and EU officials pledge to ensure that Greece sticks to its budget-cutting plans, the dollar weakened as risk appetite mounted. However, unclear strategies about the rescue plan for Greece and debt jitters over fiscally-strapped euro zone members drove investors back to the safety of the dollar.

## US in figures

INTEREST RATE	GDP (Q-Q % CHG)	CONSUMER PRICE INDEX (M-M % CHG)	UNEMPLOYMENT RATE
0.25%	5.90%	0.20%	9.70%

## Exchange rates

	1-Feb-10	26-Feb-10	MoM % CHG
USD INDEX	80.946	80.362	-0.72
USD MUR	30.850	31.450	1.94



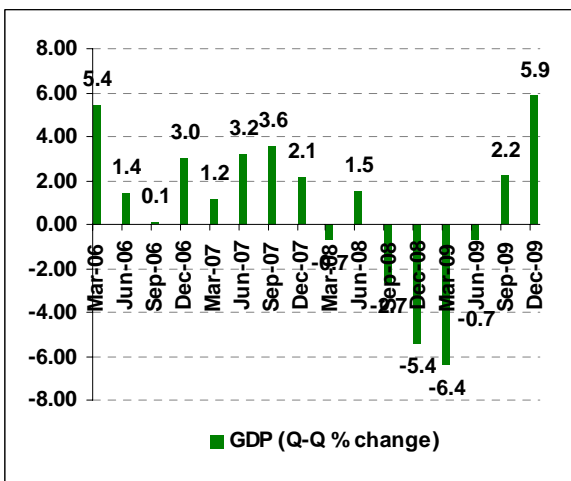
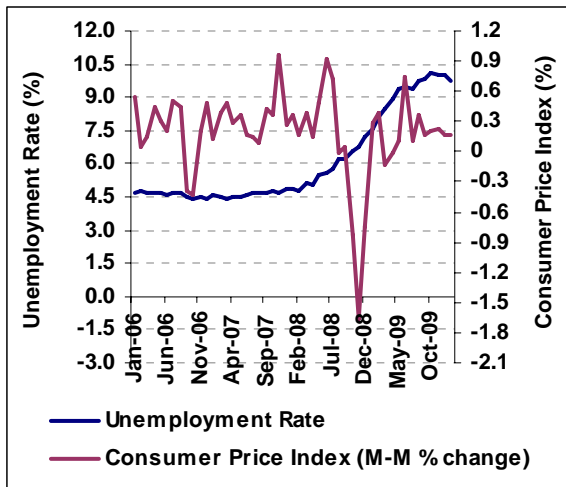
Period	USD INDEX		USD MUR	
	HIGH	LOW	HIGH	LOW
M/M	81.342 (19 FEB 10)	78.680 (03 FEB 10)	31.450 (25 FEB 10)	30.850 (02 FEB 10)
Y/Y	89.624 (04 MAR 09)	74.170 (26 NOV 09)	34.750 (28 MAY 09)	29.600 (10 DEC 09)



Stock Market

INDEX	US INDICES		MoM % CHG
	1-Feb-10	26-Feb-10	
DOW JONES	10,185.53	10,325.26	1.37
S & P 500	1,089.19	1,104.49	1.40
NASDAQ	2,171.20	2,238.26	3.09

Macro economic figures



The dollar gained further momentum when the Federal Reserve increased the discount rate to 0.75 percent, a first hint that monetary tightening could be in the picture this year despite assurances from Federal Reserve officials that interest rates would remain low for an extended period of time. The same view was reiterated by Chairman Ben Bernanke at his testimony to Congress given that inflation remains weak and the job market tight.

The economic recovery is still very fragile; pending home sales edged up in December while US home prices unexpectedly slipped although the annual rate of decline slowed. Consumer confidence fell to a 10 month low and the private jobs report revealed that the job market had worsened. Demand for a wide range of US manufactured goods unexpectedly fell in January and new applications for jobless benefits rose, suggesting a step back in the economic recovery.

The dollar is expected to benefit from anticipation of monetary tightening and safe haven flows given the fragility of the economic recovery and the structural problems in the euro zone.



## UNITED KINGDOM

## Some Key Points:

**The pound sterling plight...  
Political uncertainty...**

Sentiment towards the pound sterling was overwhelmingly negative, dragging it to a nine month low of \$1.5148 in February, as multiple factors weighed on the UK currency.

Economic data did no favours to the pound. An unexpected jump in trade deficit and weak services sector activity data reminded investors that the british economy remains fragile. Already knocked by a surprisingly big fall in retail sales, the pound sterling extended losses after UK public finances for January turned out much worse than expected, adding to concerns over the government borrowing targets. An expansion in manufacturing activity and better than expected fourth quarter GDP data failed to offset persistent worries over the health of the UK economy.

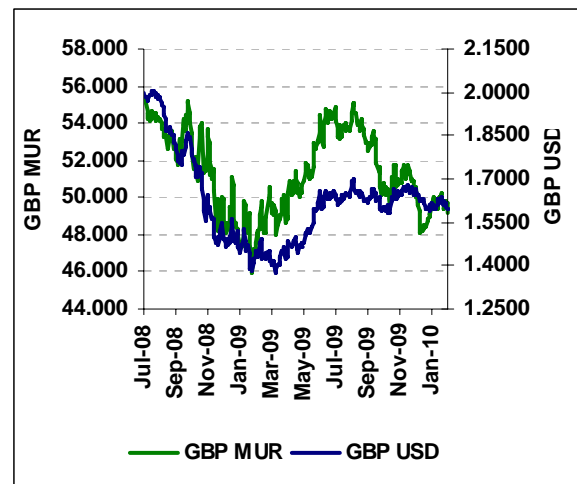
However, the pound sterling trimmed losses after the Bank of England (BoE) announced no increase to its unprecedented 200 billion pound asset-buying programme, pausing the scheme after 11 months in a move that could signal a return to more normal policy.

## UK in figures

INTEREST RATE	GDP (Q-Q % CHG)	CONSUMER PRICE INDEX (M-M % CHG)	UNEMPLOYMENT RATE
0.50%	0.30%	-0.20%	7.80%

## Exchange rates

	01-Feb-10	26-Feb-10	MoM % CHG
GBP USD	1.5954	1.5247	-4.43
GBP MUR	49.164	48.091	-2.18



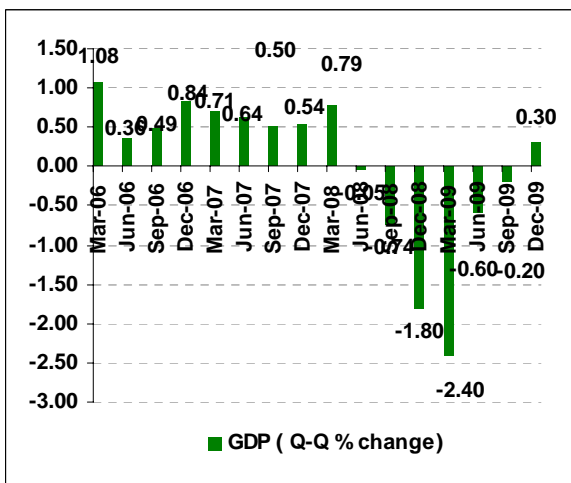
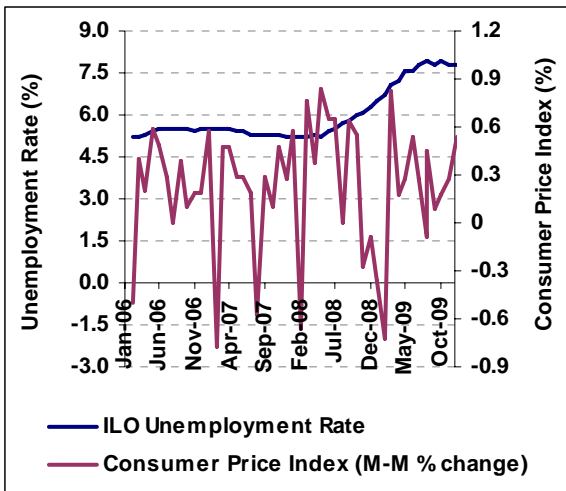
Period	GBP USD		GBP MUR	
	HIGH	LOW	HIGH	LOW
M/M	1.6069 (03 FEB 10)	1.5148 (26 FEB 10)	49.364 (03 FEB 10)	48.091 (26 FEB 10)
Y/Y	1.7042 (05 AUG 09)	1.3653 (11 MAR 09)	55.123 (06 AUG 09)	47.979 (11 MAR 09)



Stock Market

INDEX	UK INDICES		MoM % CHG
	01-Feb-10	28-Feb-10	
FTSE 100	5,247.41	5,354.52	2.04
FTSE ALL SHARE INDEX	2,689.04	2,736.80	1.78

Macro economic figures



The UK currency bore the brunt of risk aversion, triggered by jitters about the fiscal health of some euro zone countries. The greek debt problems served as a reminder of UK own fiscal problems, keeping the pound under heavy pressure.

Adding to pessimism against the pound sterling was a dovish BoE report which revised down the UK inflation outlook thus increasing the possibility of an expansion of the quantitative easing programme. The Central Bank also forecast that the economy would recover very slowly, with output taking until around mid-2011 to return to pre-crisis levels. The BoE dovish stance contrasted with that of the US Federal Reserve, which raised its discount rate as part of its strategy to exit from extraordinary measures taken in the wake of the global financial crisis. The pound was dragged down to a 10 month low of \$1.4780 in early March after Britain Prudential agreed to buy AIG asian life insurance arm, boosting speculation that the UK firm would need to sell pounds for dollars.

The pound sterling is expected to stay under pressure for a few months amid political uncertainty ahead of an election due by June and the ballooning fiscal deficit.



## EURO ZONE

### Some Key Points:

#### Confidence crisis in EU ... Uncertainty on fiscal assistance looms...

The euro has been under relentless selling pressure this year on concerns about sovereign debt problems in the euro zone. Though the single currency inched up against the dollar in various trading sessions during the month, it still remained within the sight of an 8½ month low against the greenback.

The euro lost nearly 11 percent against the dollar but gained briefly against the swiss franc after the Swiss National Bank sold its domestic currency. However, the rising cost of insuring the debt of some euro zone nations heightened risk aversion, dragging down the common currency.

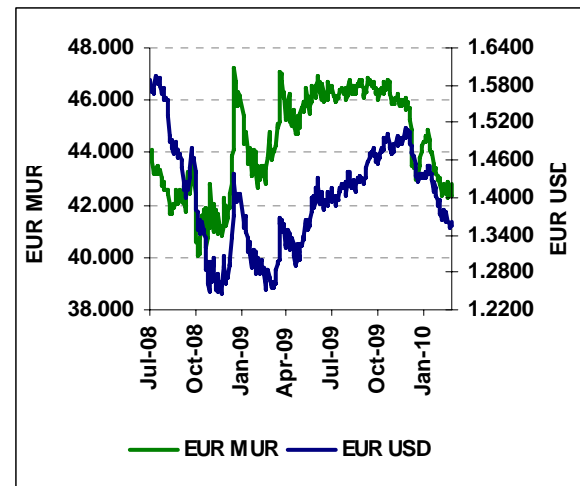
News that the European Commission backed a greek deficit-cutting plan and a Bloomberg report that Germany may buy greek bonds in an emergency measure through its state-owned development bank, KfW bank, eased some investor worries over euro bloc fiscal problems. However, the market remains wary of how long a greek fix will take and the tough European Union conditions attached

### EU in figures

INTEREST RATE	GDP (Q-Q % CHG)	CONSUMER PRICE INDEX (M-M % CHG)	UNEMPLOYMENT RATE
1.00%	0.10%	-0.76%	9.90%

### Exchange rates

	1-Feb-10	26-Feb-10	MoM % CHG
EUR USD	1.3927	1.3625	-2.17
EUR MUR	42.865	42.778	-0.20



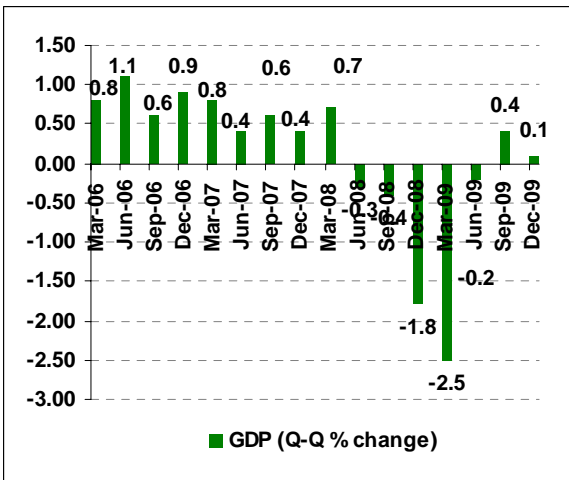
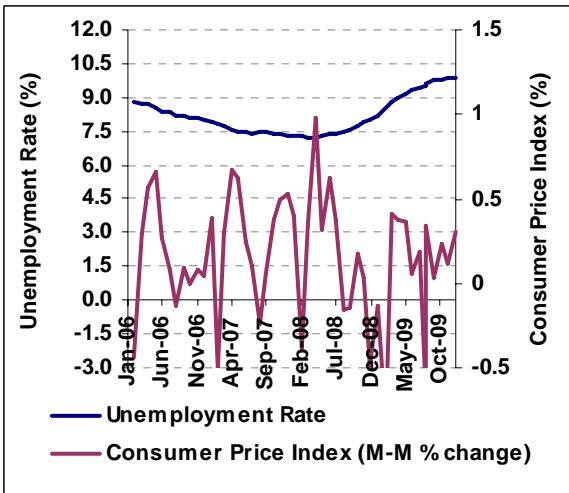
Period	EUR USD		EUR MUR	
	HIGH	LOW	HIGH	LOW
M/M	1.4026 (03 FEB 10)	1.3442 (19 FEB 10)	43.053 (03 FEB 10)	42.281 (19 FEB 10)
Y/Y	1.5144 (25 NOV 09)	1.2455 (04 MAR 09)	47.068 (20 MAR 09)	42.281 (19 FEB 10)



Stock Market

EURO ZONE INDICES			
INDEX	1-Feb-10	26-Feb-10	MoM % CHG
DAX	5,654.48	5,598.46	-0.99
CAC 40	3,762.01	3,708.80	-1.41

Macro economic figures



to approval of the greek plan. Losses in the euro accelerated after the US Central Bank increased the discount rate that banks are charged for emergency loans and a hawkish Bernanke speech stating that the Federal Reserve could begin tightening monetary policy earlier than its major counterparts.

The ECB kept its benchmark interest rate unchanged at a record low of 1.00 percent while the ECB President Jean-Claude Trichet reaffirmed the view that the euro zone economic recovery would be modest and uneven this year. Weak consumer demand and a poor reading of the Zew survey showing german economic sentiment falling for the fifth straight month in February added to the gloomy outlook of the single currency. Threats that Standard and Poor's may downgrade Greece BBB+ rating by one or two notches within a month further undermined the euro.

The euro is expected to remain under pressure with uncertainty failing to quell investor concerns on Greece.



## JAPAN

### Some Key Points:

**Risk aversion lurks...  
Persisting deflation...**

Starting off the month around 90.50, the yen fell prey to a market largely dominated by US related data and worries about the euro zone fiscal problems. However, the yen appreciated following the congressional speech of the US Federal Reserve Chairman who reiterated the view to keep interest rates on hold for an extended period.

The release of multiple robust data around the world drove the yen lower as risk appetite improved amid optimism about a global economic recovery. Strong US corporate earnings and improving economic environment convinced investors to wade temporarily into riskier assets and currencies where returns are higher.

As the government strives to combat deflation, the Bank of Japan kept interest rates on hold at 0.10 percent. As long as the risk of prolonged deflation will persist, BOJ will have no other alternative than to refrain from carrying out interest rate hikes.

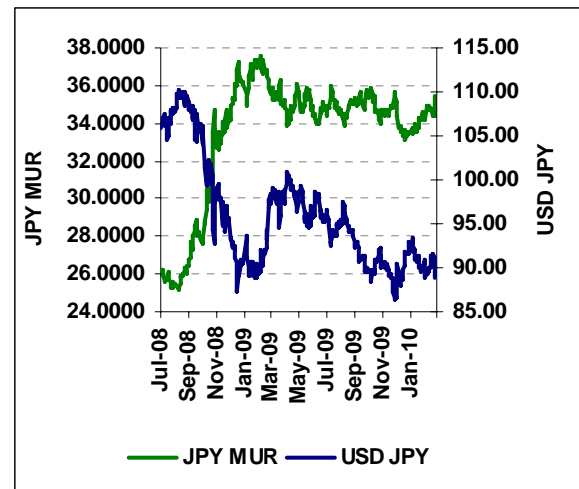
Concerns over the fiscal health of debt-laden

### JAPAN in figures

INTEREST RATE	GDP (Q-Q % CHG)	CONSUMER PRICE INDEX (M-M % CHG)	UNEMPLOYMENT RATE
0.10%	1.10%	0.10%	5.20%

### Exchange rates

	1-Feb-10	26-Feb-10	MoM % CHG
USD JPY	90.62	88.85	-1.95
JPY MUR	34.19	35.43	3.63



Period	USD JPY		JPY MUR	
	HIGH	LOW	HIGH	LOW
M/M	92.14 (19 FEB 09)	88.54 (02 FEB 10)	35.430 (26 FEB 10)	34.130 (04 FEB 10)
Y/Y	101.45 (06 APR 09)	84.81 (27 NOV 09)	36.340 (20 MAR 09)	33.130 (22 DEC 09)

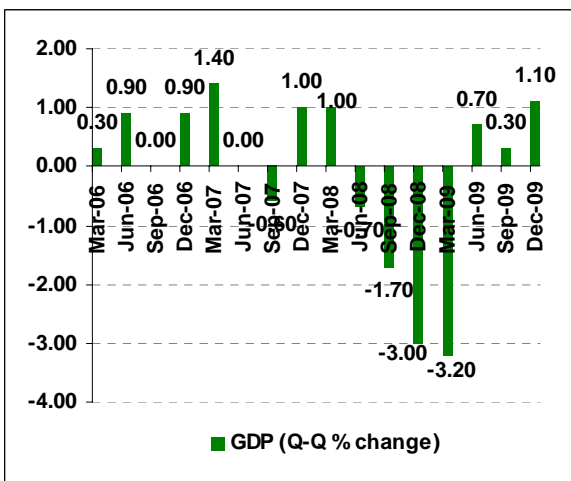
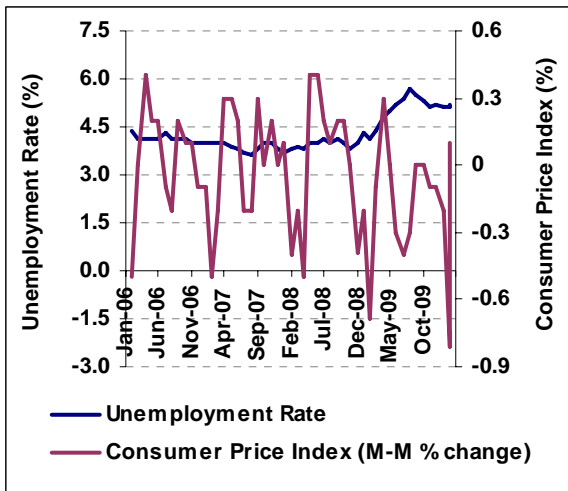


Stock Market

ASIAN INDICES

INDEX	1-Feb-10	26-Feb-10	MoM % CHG
NIKKEI 225	10,654.79	10,126.03	-4.96
HANG SENG	11,621.64	11,543.73	-0.67

Macro economic figures



euro zone economies triggered a wave of risk aversion. This led investors to flock to the traditional safe-haven yen. The yen maintained its gains against the euro after european leaders failed to make concrete pledges to prop up Greece. Threats that Standard and Poor’s will cut the credit ratings of Greece lifted the yen to a one year high of 119.63 against the euro.

The release of core machinery orders in Japan, which rose more than expected in December, eased concerns that capital spending is slumping. Rising from 0.30 percent to 1.10 percent for the fourth quarter, the GDP data indicated that the japanese economy could be on the mend. More optimistic signs were also seen from strong industrial production data and robust January retail sales, lifting sentiment towards the yen.

With the greek fiscal woes on the limelight, the yen is expected to trade higher in the upcoming days. Also, market will be waiting to see the combined effort of the BOJ and the government to fight deflation.

## MAURITIUS

### Some Key Points:

#### Local demand drives the rupee... Securities market remains down...

The rupee maintained its down trend since last month, losing 0.07 percent against the SBM basket of currencies. The rupee dipped by 60 cents against the dollar while gaining nearly 10 cents against the european single currency and 1 rupee against the pound sterling over the month.

With the euro decline on the international market, local exporters remained on the sideline waiting for higher levels to convert their foreign currency proceeds. Meanwhile, increased demand on the local market drove the greenback higher against the rupee.

Total imports rose by 11.80 percent while total exports fell by 15.60 percent for the month of December as compared to the previous month. The balance of trade recorded a deficit of MUR 6,453 million in December, significantly higher by 46.40 percent as compared to the previous month.

The mauritian tourism sector has been hit by uncertainties around the global economic

### MAURITIUS in figures

INTEREST RATE	GDP at Market Prices	CONSUMER PRICE INDEX	UNEMPLOYMENT RATE
5.75%	68.947 Bln	118.20	7.40%

### Exchange rates

	1-Feb-10	26-Feb-10	MoM % CHG
AUD MUR	27.260	28.140	3.23
ZAR MUR	4.160	4.120	-0.96
SGD MUR	21.950	22.450	2.28
CAD MUR	29.140	29.880	2.54

### Stock Market

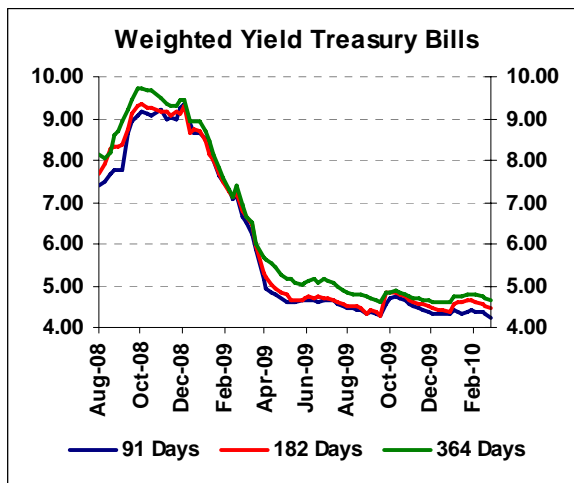
#### MAURITIUS INDICES

INDEX	1-Feb-10	26-Feb-10	MoM % CHG
SEMDEX	1,745.06	1,646.10	-5.67
SEM-7	366.54	342.57	-6.54
DEMEX	140.14	138.80	-0.96

### Government Securities

#### TREASURY NOTES

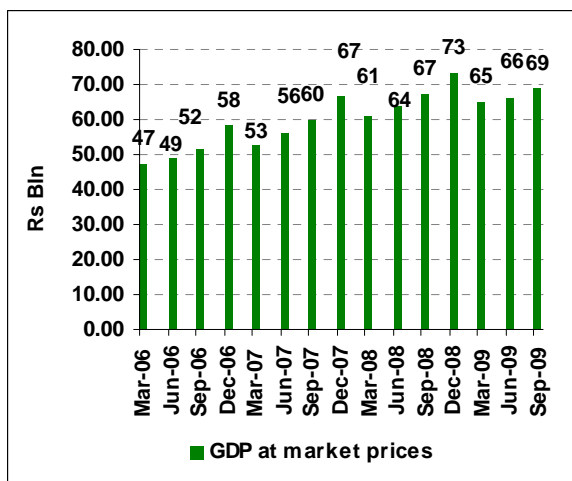
	February-10	January-10
2-Year	6.06	6.11
3-Year	6.92	7.02
4-Year	7.43	7.50



GOM BONDS

	December-09	September-09
7-Year	9.44	9.24
13-Year	10.37	10.15
20-Year	10.70	10.38

Macro economic figures



recovery. With average room occupancy rate for all hotels for 2009 at 61 percent, Mauritius recorded a gross tourism receipt of MUR 35,693 million for the year 2009, representing a decrease of 13.40 percent compared to the year 2008. With tourist arrivals estimated at 915,000 for the year 2010, the tourism sector is forecasted to reap a gross tourism receipt of MUR 40,150 million, signifying a 12.50 percent rise over the year 2009.

Consumer prices registered an increase of 1.00 percent to reach 118.20 in January bringing the headline inflation rate to 2.30 percent and the GDP growth has been revised to 2.80 percent for the year 2009.

Amid sufficient liquidity on the local securities market, yields on Treasury bills maintained their southward direction trading at a weighted average of 4.25, 4.46 and 4.66 percent for 91, 182 and 364 days bills respectively in the last auction of the month. Treasury notes also traded lower at a weighted average of 6.06, 6.92 and 7.43 percent respectively for 2, 3 and 4 year notes.

The rupee will continue to be directed by demand and supply on the local market.



OIL

Some Key Points:

Nigerian attacks hurt...  
Growing oil demand...

Oil prices traded in a narrow USD 10 range between USD 70 and USD 80 per barrel during the month of February affected mainly by nigerian attacks, weather conditions, the IEA monthly report and economic activity.

Royal Dutch Shell reported it had shut down three pumping stations in the Niger Delta region after a key crude oil pipeline was sabotaged. Although there has been no claim of responsibility, the attack occurred a day after the main nigerian militant group MEND called off a 3 month old ceasefire and threatened to unleash an all-out assault on the biggest oil and gas industry in Africa, instigating prices to rise on fear of future supply shortages.

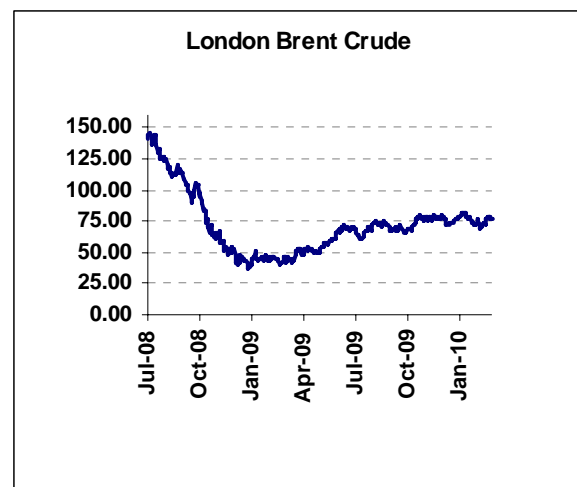
Unseasonably cold temperatures were expected in the wake of a storm in the US Northeast, which is the biggest heating oil market in the world, and the Midwest, a large natural gas demand centre. The cold helped boost oil and gas prices towards winter season highs.

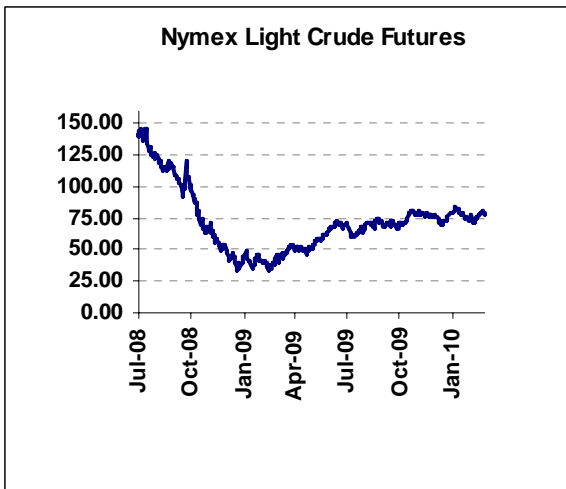
Oil prices

	1-Feb-10	26-Feb-10	MoM % CHG
<b>NYMEX LIGHT CRUDE FUTURES</b>	74.43	79.66	7.03
<b>LONDON BRENT CRUDE</b>	73.11	77.59	6.13

NYMEX LIGHT CRUDE FUTURES      LONDON BRENT CRUDE

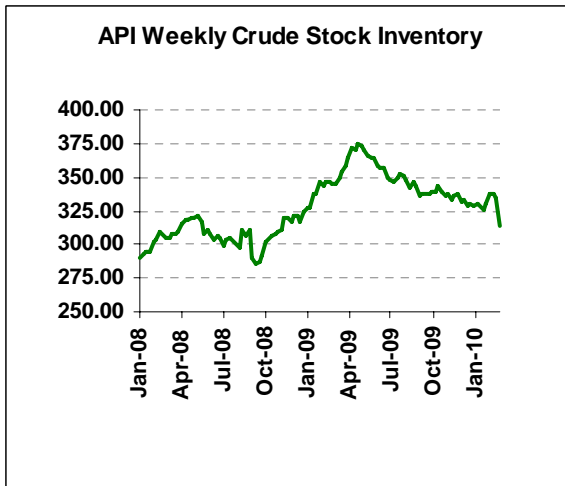
Period	NYMEX LIGHT CRUDE FUTURES		LONDON BRENT CRUDE	
	HIGH	LOW	HIGH	LOW
<b>M/M</b>	80.51 (22 FEB 10)	69.50 (05 FEB 10)	78.94 (22 FEB 10)	67.87 (05 FEB 10)
<b>Y/Y</b>	83.95 (11 JAN 10)	39.44 (03 MAR 09)	82.45 (11 JAN 10)	41.30 (11 MAR 09)



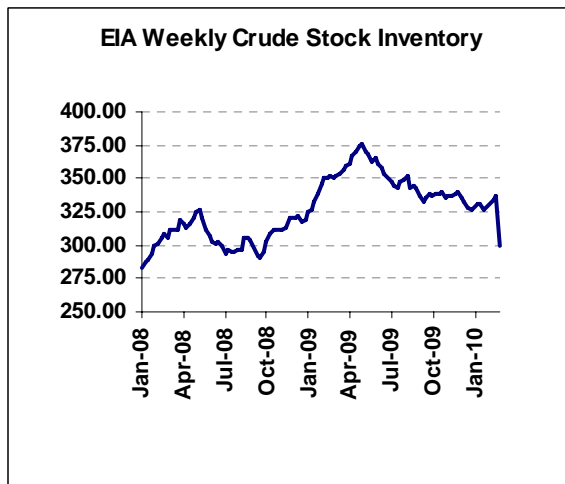


The monthly report released by the International Energy Agency (IEA), pointed to growth in global oil demand in 2010 by more than previously expected, with all the growth coming from emerging markets. While the industrialised world is going through oil-less recovery, the IEA stated there are signs that demand has peaked in developed countries.

**Inventory**



Output reports at the largest oil field in the UK and the Buzzard field in the North Sea showed a drop due to a production problem. Brent price rose on the report as Buzzard oil feeds into the North Sea Forties stream, one of those used to set the physical crude benchmark dated Brent.



Oil then dropped by more than 2 percent as weak US employment and durable goods data raised more concerns about a recovery in the top energy consumer of the world.

The market is largely expected to continue to be influenced by economic data releases, expectation of an economic recovery and weather conditions. Lingering problems in the euro zone are expected to douse risk appetite and impact on the commodities market.



### GOLD

#### Some Key Points:

**A rebounding dollar...  
Risk appetite subdued...**

Gold prices have been volatile throughout the month of February. It traded from a low of \$1,073.20 to a high of \$1,123.30 an ounce.

Gold futures started the month on lower trades following a boost from the budget proposal of President Obama to create jobs. Gold futures fell further as a rebounding dollar eroded the appeal of the metal as an alternative investment. The greenback climbed against a basket of major currencies as the US economy showed more signs of recovery following a round of positive macro economic data.

The bullion continued its down trend along with other metals and commodities as concerns about the economic growth and debt woes in Europe fuelled a rally in the dollar. The euro lost further ground against the greenback on mounting budget concerns in countries such as Greece, Spain and Portugal.

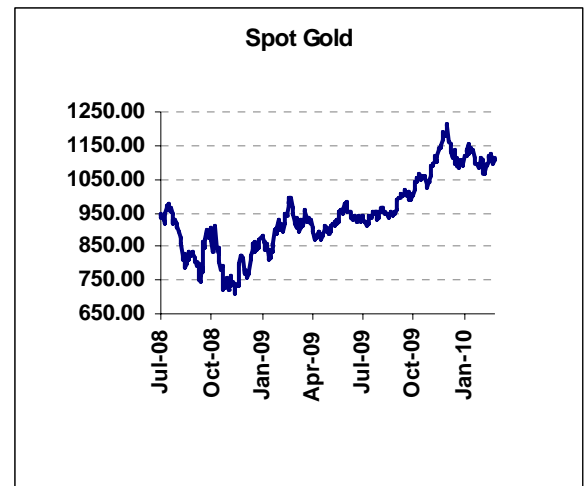
Gold prices declined further as a climbing dollar curbed demand for the metal as an alternative asset. The dollar gained against the euro as the Federal Reserve raised interest rates on direct loans to banks.

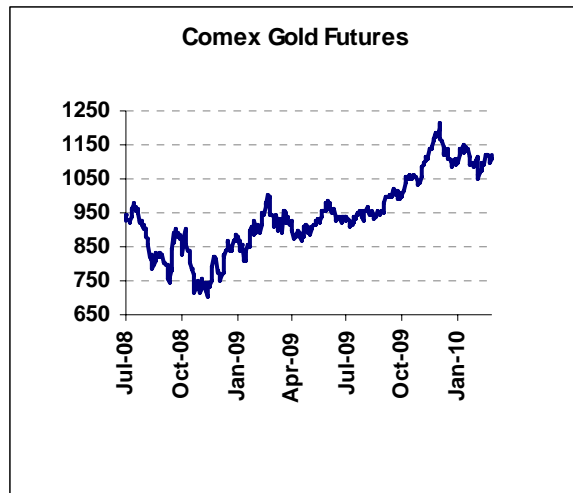
#### Gold prices

	1-Feb-10	26-Feb-10	MoM % CHG
<b>SPOT GOLD</b>	1106.95	1116.10	0.83
<b>COMEX GOLD FUTURES</b>	1104.30	1118.30	1.27

Period	SPOT GOLD		COMEX GOLD FUTURES	
	HIGH	LOW	HIGH	LOW
<b>M/M</b>	1130.65 (22 FEB 10)	1043.75 (05 FEB 10)	1127.40 (22 FEB 10)	1045.20 (05 FEB 10)
<b>Y/Y</b>	1226.10 (03 DEC 09)	864.00 (17 APR 09)	1226.40 (03 DEC 09)	865.00 (17 APR 09)

#### Gold prices





However mid month, gold prices retraced earlier losses as a declining dollar increased demand for the bullion as an alternative asset. Gold rose further on speculation that greek debt concerns will spur demand for gold as an alternative to holding currency.

Speculation that the dollar rally would stall, boosted the appeal of the precious metal as an alternative investment. Gold appreciated as billionaire George Soros more than doubled his stake in the biggest gold backed exchange traded fund.

Gold futures have been volatile throughout the month of February. It has broken the psychological level of \$1,100 an ounce and future trend in gold prices would largely depend on risk appetite and anticipation of an economic recovery.



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