



# Cytonn Q3'2023 Markets Review

## Global Markets Review

### **Global Economic Growth:**

According to the July 2023 World Economic Outlook Report by the international monetary Fund (IMF), the global economy is projected to grow at a rate of 3.0% in 2023, 0.5% points lower than the 3.5% growth recorded in 2022 and 0.2% points higher than the IMF's earlier projection in April 2023. The upward revision is mainly driven by the continued tightening of monetary policies in most economies in their efforts to fight inflation with the global headline inflation being expected to fall to 6.8% in 2023 from the 8.7% recorded in 2022. Notably, advanced economies continue to drive the decline in growth in 2023 from 2022, with weaker manufacturing sector offsetting the stronger services sector and the growth is expected to decline to 1.5% in 2023, compared to the 2.1% growth in 2022. However, the growth in the Emerging Market and Developing Economies is expected to expand marginally to 4.0% in 2023, from an estimated growth of 3.7% in 2022;

The expected slowed down in global economic growth in 2023 as compared to 2022 is majorly attributable to;

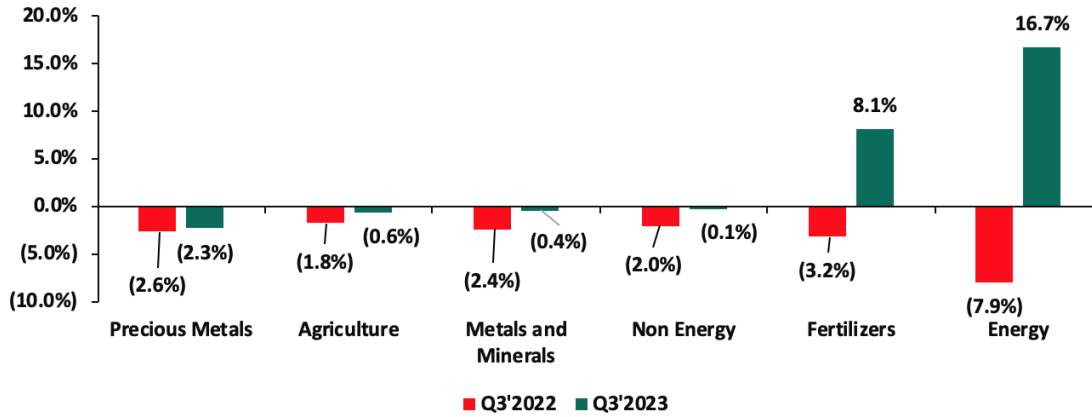
1. The elevated global inflationary pressures which have necessitated hiking of interest rates by central banks around the world with the aim of anchoring inflation. As such, the global inflation is forecasted to ease slightly to 6.8% in 2023, from 8.7% in 2022,
2. Tight global financial conditions occasioned by high cost of borrowing which have increased risks of debt distress in emerging economies as most advanced economies continue to tighten their monetary policies, and,
3. Persistent supply chain constraints worsened by the ongoing Russia-Ukraine conflict which have led to increase in global fuel and energy prices. Consequently, the high energy prices have increased inflationary pressures as well as contributed to currency depreciation as dollar demand increases in majority of the world economies.

The global economy is expected to remain subdued in the short term mainly as a result of persistent inflationary pressures as well as tightening of monetary policies which are expected to weigh down on economic activity.

### **Global Commodities Market Performance:**

Global commodity prices recorded mixed performance in Q3'2023, with prices of energy increasing the most by 16.7% compared to the 7.9% decline recorded in Q3'2022, mainly as result of increased global demand on the back of persistent supply chain constraints worsened by the ongoing Russia-Ukraine conflict. Similarly, prices of fertilizers increased by 8.1% in Q3'2023, compared to 3.2% in a similar period last year, while prices prices of precious metals, agriculture, metals and minerals, and Non- energy declined by 2.3%, 0.6%, 0.4% and 0.1% respectively, on the back of reduced global demand coupled with easing supply chain constraints. The chart below shows a summary of performance of various commodities;

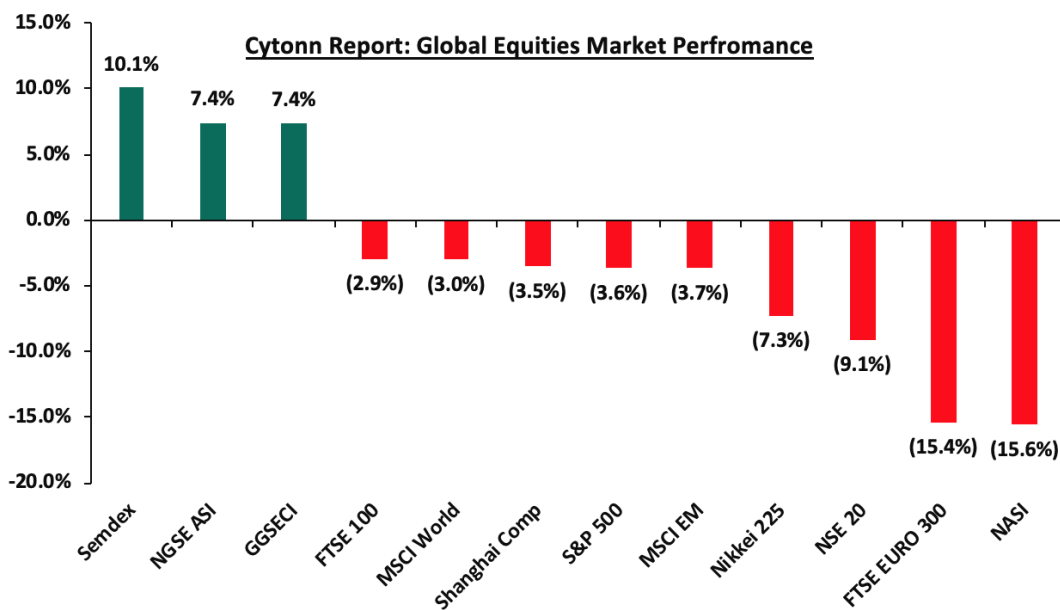
**Cytonn Report: World Bank Commodity Price Index (Q3'2023)**



Source: World Bank

**Global Equities market performance:**

The global stock market recorded mixed performance in Q3'2023, with most indices in developed economies declining attributable to the cash outflows from equities market to the fixed income docket mainly on the back of elevated inflationary pressures world over which has led to increased interest rates. Notably, the Mauritius stock exchange index (Semdex) was the largest gainer at 10.1% in Q3'2023 driven by gains recorded by stocks in the financial sector as a result of the improved business environment in the country with economy having expanded by 6.0% in Q2'2023 signaling improved investors' confidence in the Mauritius equities market. On the other hand, NASI was the largest decliner recording losses of 15.6% in Q3'2023, mainly due to capital flight as foreign investors sold off their investments in the Kenyan equities market. Additionally, investors have continued to attach higher risk premium to the country as a result the inflationary pressures coupled with the sustained depreciation of the Kenyan shilling against the dollar so far having depreciated by 20.0% on year to date basis in 2023. The chart below shows a summary of the performance of key indices in Q3'2023;



\*Dollarized performance

