

# AXYS

2019  
STRATEGY  
MID-YEAR UPDATE



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# EXECUTIVE SUMMARY

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At the start of the year we spelled out **our view for 2019**. We believed that – as indicated by our momentum indicator – the Mauritian market was sliding into a “bearish” phase which has been confirmed by the SEM’s YTD performance: it is the 8th worst performing market of 2019 in USD terms out of 94 markets tracked by Bloomberg. A little past the half-way mark in 2019 we thought would be the **right conjecture to take stock and re-assess our stance** for the remaining months in 2019.

## The Technical View

Our Momentum Indicator continues to show that we are in a bear-spell, that said the recent uptick in the indicator’s levels suggests that **we are more than halfway through the cycle expecting a further dip before the rebound** into a bull-spell. Given that this Government’s term expires in Dec-19, and investors typically adopt a wait-and-see stance during the run-up to elections, we expect the market to rebound after the inauguration of a new Government in 2020. At the start of 2019 – in-line with the steep drops recorded in Q4-18 – our Momentum indicator suggested that major international indices had also switched to negative momenta regimes which turned out to be a false alarm as rebounds ensued throughout Q1-19. Interestingly both Frontier and African markets entered into a bear-spell in Jun-18 together with Mauritius, but appear to have come out of such phases during Q2-19 in-tandem with the global rally which the SEM failed to follow.

## Our Picks

A market cap weighted portfolio of **our preferred bear-resistant picks lost 1% against the SEM’s 3% YTD**, and a similar portfolio consisting of **picks to be avoided nose-dived 17%**. While we did outperform the market, our method worked much better at identifying stocks to be avoided: namely sugars and hoteliers. On the flip side, construction stock fared well as expected, and joining some of our individual picks were **outliers** such as **IBL** (evidently boosted by acquisition of General Construction & likely sale of MEI), **MEDL** (boosted by transition to the SEM’s main board) and **AFREX** who sprouted wings after ~6% of its listed DRs were crossed at \$3.20 on Feb 28<sup>th</sup> 2019.

## 2019 2<sup>nd</sup> Half

Should you wish to **review/re-position your portfolio** for the 2<sup>nd</sup> half of 2019 please **contact any member from our research desk** to walk you through the securities we believe are best suited for remainder of 2019.



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