

Friday, May 3, 2024

MUR Sovereign Debt Market

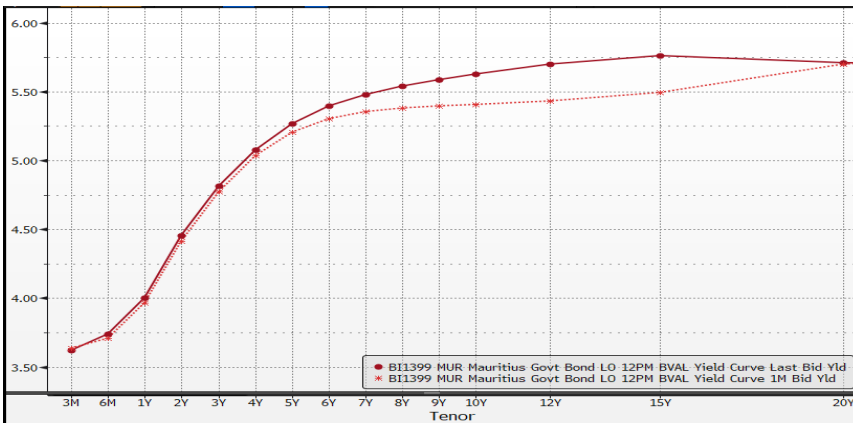
Maturity Range	3M	6M	12M	3Y	5Y	10Y	20Y
Years to maturity	0.25	0.50	1	3	5	10	20
Bank Buy Yield	3.35	3.70	4.10	4.97	5.30	5.80	6.00
Bank Sell Yield	3.20	3.55	3.95	4.77	5.05	5.45	5.75

**Note:** Indicative yields shown above are for a maximum of Rs25mn nominal of benchmark maturities and are subject to availability – Please contact us for firm quotes or if you have interest in other specific securities / maturities.

As widely expected, the Bank of Mauritius kept the Key Rate unchanged at 4.50% at the first MPC meeting of the year. As per the minutes, Real GDP Growth is projected at 6.5% and inflation at 4.9% for 2024 which seems to be on track as headline inflation fell to 5.8% from 6.1% compared to a month ago, whereas the YoY fell to 4.9% due to vegetable prices' volatility. The decision was unanimous based on the fact that "The MPC carefully balanced the risks to the growth and to the inflation outlook and considered that the Bank's decision to hike policy rates during 2022 still needed time to work through the economy, solidly anchor inflation expectations and ensure that the inflation target is attained in 2024."

As seen below, the long end of the yield curve steepened, lifted by the 10yr auction: MUR 3.99bn of the 10yr was issued versus MUR 2.3bn tendered for, in a relatively wide range of 5.25% - 5.83%. We believe the top end of this range would have been only 10-15bps lower had the Bank allocated only the amount tendered, still showing a clear discrepancy of bidders' expectations and MUR 3.1bn of these were traded on the secondary market between 5.30% and 5.60%, indicating that good bargains were available. A week later, MUR 2.1bn of the 3yr was issued versus MUR 1.7bn tendered for in a relatively tight range of 4.96% - 5.08%, less than 20bps away from overlapping with the 10yr auction.

For some time now, banks have been major players on the secondary market. For example, out of the MUR 7.5bn issued of the latest 3yr note split in 3 auctions, MUR 5.3bn have been traded, of which 60% have been sold to Primary Dealers and 15% to other banks. Only during the last week of April, Primary Dealers have bought more than MUR 1bn of the 3yr, nearly 700mn of the 10yr and more than 900mn of the 20yr issued in December 2023. Assuming these positions are now in banking books, we believe Primary Dealers' trading books are currently duration-light. This month will be active in terms of primary issuances (1.8bn of 3yr / 1.7bn of 5yr / 2.5bn of 20yr) and taking into account the recent trend of over-allocations, bidding levels and ranges are only a matter of how the excess liquidity is spread among Primary Dealers.



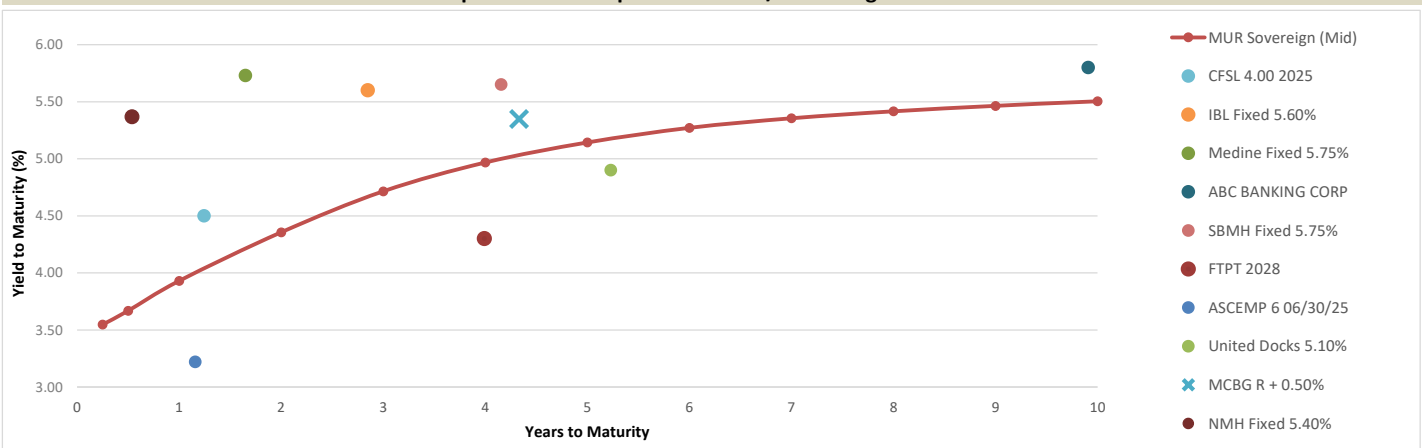
Comparison of latest MUR Bid Government Yield Curve as per BVAL calculation methodology compared to 1 month ago; Source: Bloomberg

MUR Government Securities - Primary Issuance

Tenor	Weighted acc. yield	Amount issued ('mn)	Auction Date
7 days	4.50%	1,000	29-Mar-24
91 days	3.18%	612	02-May-24
182 days	3.69%	1,388	02-May-24
364 days	4.10%	1,600	02-May-24
3 years	5.02%	2,100	24-Apr-24
5 years	5.33%	3,500	06-Mar-24
10 years	5.68%	3,990	17-Apr-24
15 years	5.20%	2,300	22-Jan-24
20 years	5.69%	2,300	20-Dec-23

Economic Data	Last update
Overnight Deposit Facility	Rs 24.3bn / 26-Apr-24
Key Rate	4.50% / 03-Apr-24
Headline inflation	5.80% / March 2024

Sample of listed Corporate bonds v/s Sovereign Yield Curve



Corporate bonds denominated in "X" are floating-rate notes; yields shown assume Key Rate remains unchanged at current levels. Sovereign yield curve obtained from Bloomberg, using the BVAL methodology, adjustments made to show mid rates. Source: Stock Exchange of Mauritius, Bloomberg

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