

Thursday, January 4, 2024

MUR Sovereign Debt Market

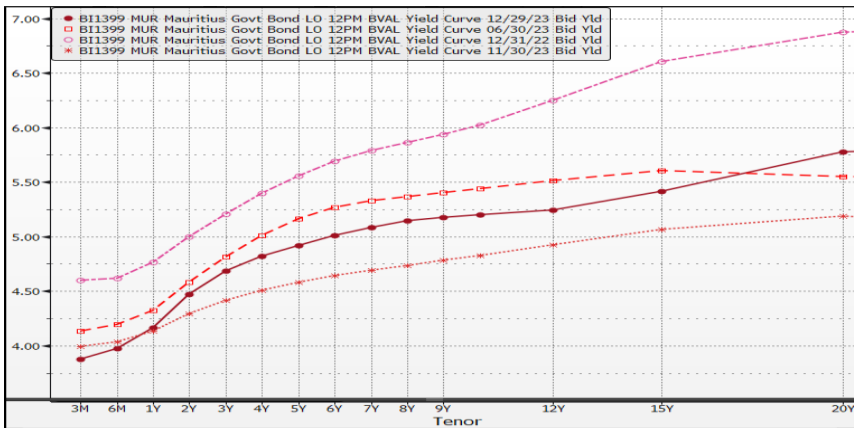
Maturity Range	3M	6M	12M	3Y	5Y	10Y	20Y
Years to maturity	0.25	0.50	1	3	5	10	20
Bank Buy Yield	3.65	3.80	4.05	4.80	5.15	5.30	5.80
Bank Sell Yield	3.50	3.65	3.90	4.60	4.90	5.05	5.55

**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.

Mauritius was one of the rare countries where the Monetary Policy rate remained unchanged through 2023. Inflation has continued to trend downwards with the YoY falling to 4.0% v/s 12.1% and the Headline figure falling to 7.7% from 10.3% compared to a month ago. The Overnight Deposit Facility, our favorite indicator for excess liquidity hovered around MUR 20bn as the Bank of Mauritius resumed larger-than-usual T-bill issuances, coupled with the usual seasonal outflows.

December was quite eventful on the Primary market: after MUR 2bn of the 7yr was issued at a weighted average yield of 4.75%, MUR 1.5bn of the 3yr was issued a week later at a mere 5bps lower than the 7yr. The relative attractiveness of the 3yr is probably why the secondary market snubbed the 7yr, of which hardly 600mn have been traded so far while at least MUR 1.2bn of the former have been sold. Two weeks later, the 20yr was allocated to at least 2 Primary Dealers at a weighted average of 5.69%, in a relatively wide range of 5.55% - 5.80%. While investors had initially set their internal targets as from 6%, this was still well received with more than 1bn already traded, at levels at or above 5.55%. However, the most notable trades during December were between Primary Dealers where more than MUR 1.5bn worth of notes and bonds exchanged hands. Next week we will see the reopening of the 7yr which we believe investors to be more keen should it yield around 25bps higher and later this month, the issuance of the 15yr which should cement the long end of the curve.

Overall, the curve flattened during 2023, after some steepening in December (as shown below) due to changes in the Primary Dealer framework. We expect further flattening in the near future as the belly adjusts upward for a more “normal” shape. Nevertheless, the spectre of rate cuts around the world (currently around 1.5% priced in for the US, UK and Europe) is expected to influence the local monetary policy due to interest rate differentials. While the BOM is expected to cut rates in 2024, it's more a question of when and by how much, which should theoretically lead to the beginning of a curve steepening phase.



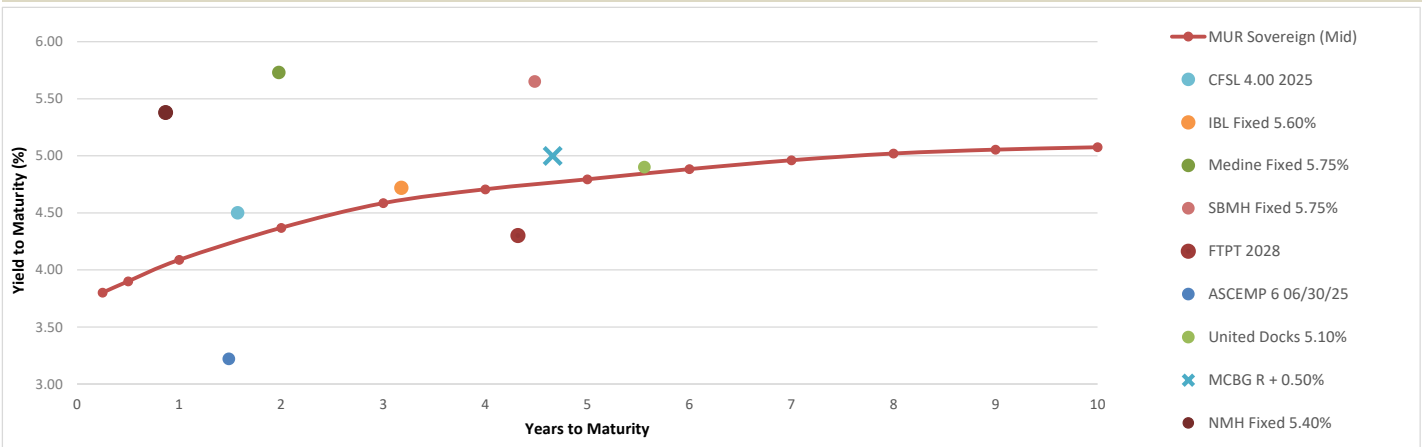
Comparison of latest MUR Bid Government Yield Curve as per BVAL calculation methodology compared to 1,6 and 12 months ago ; Source: Bloomberg

MUR Government Securities - Primary Issuance

Tenor	Weighted acc. yield	Amount issued ('mn)	Auction Date
7 days	4.50%	1,000	29-Dec-23
91 days	3.35%	2,000	28-Dec-23
182 days	3.50%	500	28-Dec-23
364 days	3.60%	500	28-Dec-23
3 years	4.70%	1,500	13-Dec-23
7 years	4.75%	2,000	06-Dec-23
10 years	4.41%	2,300	06-Sep-23
15 years	4.46%	2,300	17-Jul-23
20 years	5.69%	2,300	20-Dec-23

Economic Data	Last update
Overnight Deposit Facility	Rs 21.2bn / 29-Dec-23
Key Rate	4.50% / 28-Nov-23
Headline inflation	7.70% / November 2023

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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