

Monday, June 3, 2024

MUR Sovereign Debt Market

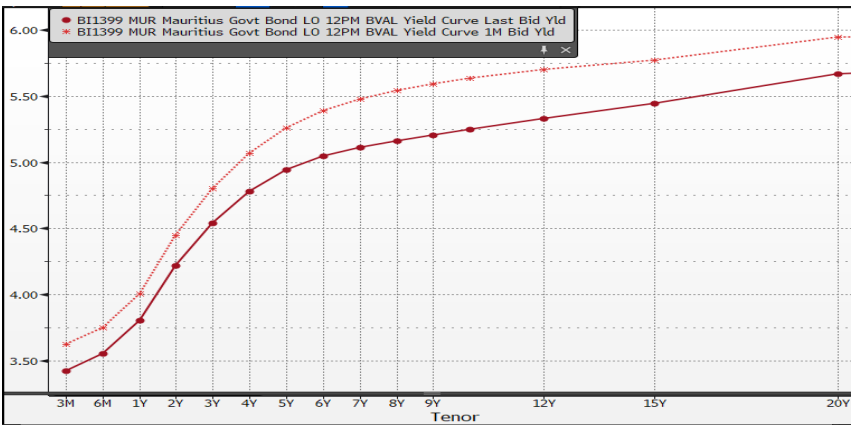
Maturity Range	3M	6M	12M	3Y	5Y	10Y	20Y
Years to maturity	0.25	0.50	1	3	5	10	20
Bank Buy Yield	3.35	3.70	4.00	4.60	5.15	5.50	5.70
Bank Sell Yield	3.20	3.55	3.85	4.40	4.90	5.25	5.45

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.

A new CPI series based on a new basket of goods and services has been introduced as from April 2024 with the headline inflation rate for the 12 months ending April estimated at 5.2%, and the YoY inflation rate is estimated at 3.4%, down from 4.9% last month. This abrupt fall of the official inflation figures could give some ammunition to the Bank of Mauritius to engage in a form of forward guidance and to start considering lowering the Key Rate to alleviate debtholders' burden. We are also awaiting for the annual budget exercise due this Friday for indications on Government spending or other specifics liable to affect the Government yield curve.

The month of May was quite eventful on the Primary market with larger sizes of T-bills auctioned, probably to absorb the rising excess liquidity as could be seen by the Overnight Deposit facility starting the month at MUR 27bn, peaking to MUR 40bn before falling back to MUR 30bn as at the 31st May. While the first two auctions (5yr and 3yr) were more or less in line with previous levels, the shocker was the 20yr auction: MUR 3bn were allocated versus MUR 2.5bn tendered for in the range of 5.50% - 5.74% at a weighted average of 5.61%, lower than the 10yr issued a month ago at 5.68%. This triggered some bull flattening with the re-opening of the 3yr the next day coming out in the range of 4.46% - 4.68%, at a weighted average of 4.55% down from 4.90% only 2 weeks before, as well as on T-bills where the 3M remained floored at 3.12% but the 12M fell from above 4.00% to 3.72%.

The secondary market was also very active with sizeable trades on the on-the-run securities: more than MUR 2bn on the 3yr, MUR 1.4bn on the 5yr and MUR 1.7bn on the 20yr exchanged hands in May. While banks have been more active on the 3yr and 5yr (more than 50% of buying activity), they have abstained from the 20yr which was privileged by Pension funds and Insurance companies mostly. We remain inclined to believe that yields have peaked for now, barring unplanned auctions or consequent over-allocations, as excess liquidity remains elevated and demand from the secondary market is robust. For now, there is no visibility on the auction calendar past June, and we'll see only one 5yr auction this month.



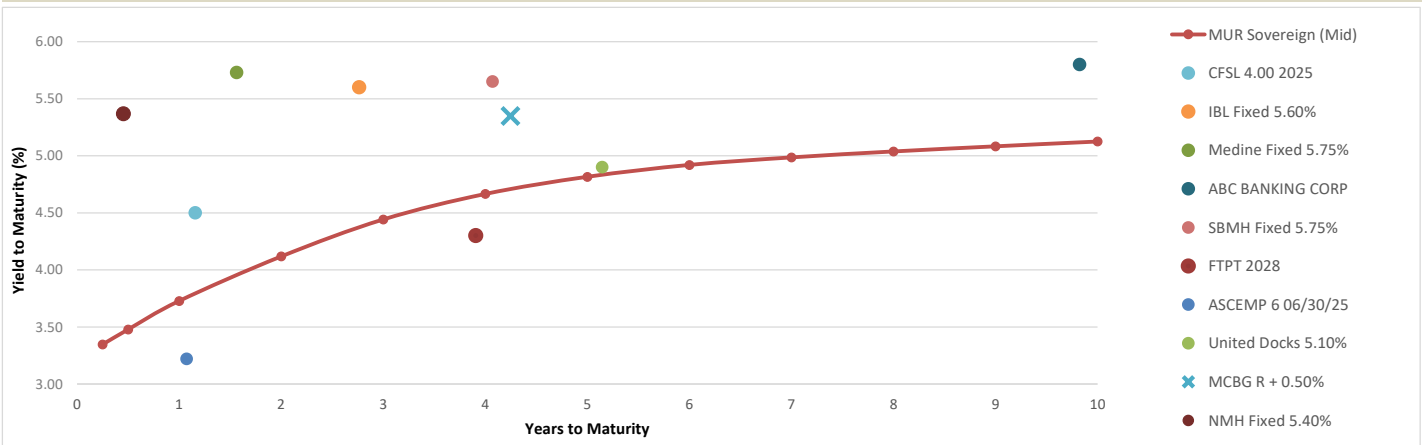
Comparison of latest MUR Bid Government Yield Curve as per BVAL calculation methodology compared to 1 month ago ; Source: Bloomberg

MUR Government Securities - Primary Issuance

Tenor	Weighted acc. yield	Amount issued ('mn)	Auction Date
7 days	4.50%	1,000	31-May-24
91 days	3.13%	3,000	30-May-24
182 days	3.47%	1,000	30-May-24
364 days	3.72%	1,000	30-May-24
3 years	4.55%	2,300	29-May-24
5 years	5.25%	1,700	08-May-24
10 years	5.68%	3,990	17-Apr-24
15 years	5.20%	2,300	22-Jan-24
20 years	5.61%	3,000	28-May-24

Economic Data		Last update
Overnight Deposit Facility	Rs 30.3bn	31-May-24
Key Rate	4.50%	03-Apr-24
Headline inflation	3.40%	April 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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