

# Local Fixed Income Update

3<sup>rd</sup> September 2024



## MUR Sovereign Debt Market

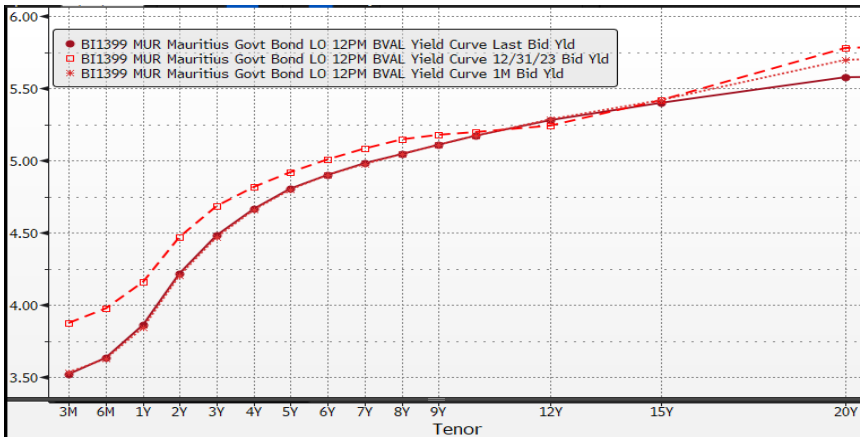
Maturity Range	3M	6M	12M	3Y	5Y	10Y	20Y
Years to maturity	0.25	0.50	1	3	5	10	20
Bank Buy Yield	3.20	3.45	3.70	4.50	4.85	5.20	5.65
Bank Sell Yield	3.05	3.30	3.55	4.30	4.60	4.95	5.40

*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.*

August started with a bang in developed market as investors priced up to 1.375% worth of rate cuts through to December 2024 from the Fed, up from around 0.75% a few days before following weaker than expected jobs data for July. While this move has partly retraced, market participants are now expecting 4 rate cuts in the next 3 meetings from the Fed. Locally, although YoY inflation picked up to 2.9% from the previous month's 2.2%, average headline inflation fell to 4.3% from 4.5%, steadily moving towards the BOM's "mid-point of the 2-5 per cent target." While the Bank of Mauritius is expected to welcome rate cuts in developed market to narrow interest rate differentials, the Monetary Policy Committee might seize the opportunity to reduce debtholders' burden.

The first half of the month saw upward pressure on yields starting with the 7yr auction - MUR 2bn were issued at 5.02% versus MUR 4.1bn at 4.90% only a few weeks before. On top of smaller amounts issued at higher yields, we believe that 1 Primary Dealer placed bids 10-15bps lower than its counterparts, partly negating this upward pressure. This helped to reverse the trend a few weeks later at the new 3yr auction, where MUR 3bn were issued versus MUR 2.2bn tendered for at 4.52% (7bps lower than a month before), where we believe a Primary Dealer tried to cap levels issued at 4.55%. On the T-bill side, 12M GOM papers issued reached 3.87%, pulling the 6M GOM papers up to 3.80%. Additional bidders on BOM papers and the fact that full allocations can be placed in banking books away from mark-to-market risks added to downward pressure on these papers. (1 MUR 1.7bn bid @ 3.60% for 6M BOM bill versus MUR 2.5bn split in 9 bids at a weighted of 3.73% a week later for 6M GOM bill)

Total amount traded on the secondary market was lower than usual in August (less than MUR 6.8bn versus around MUR 11bn monthly average over last 8 months). While at least 1 Non-PD bank consistently bought 3yr papers, Pension Funds and Insurance companies were more hungry for 7yr and 15yr papers. Around MUR 1.8bn of T-bills exchanged hands between Primary Dealers last week to shift liquidity while there is currently some Interbank lending on the market. This month is quite heavy in auctions with a 3yr re-opening, a new 5yr tomorrow to alternate with MUR 6.1bn of the 7yr issued within less than a month, and a 10yr. With reduced appetite from the secondary market, discrepancies in liquidity held by Primary Dealers and relatively lighter trading books versus the upcoming risk of lower rates internationally, hard to predict whether tomorrow's 5yr auction will be nearer to the last 7yr or the last 3yr held in August.



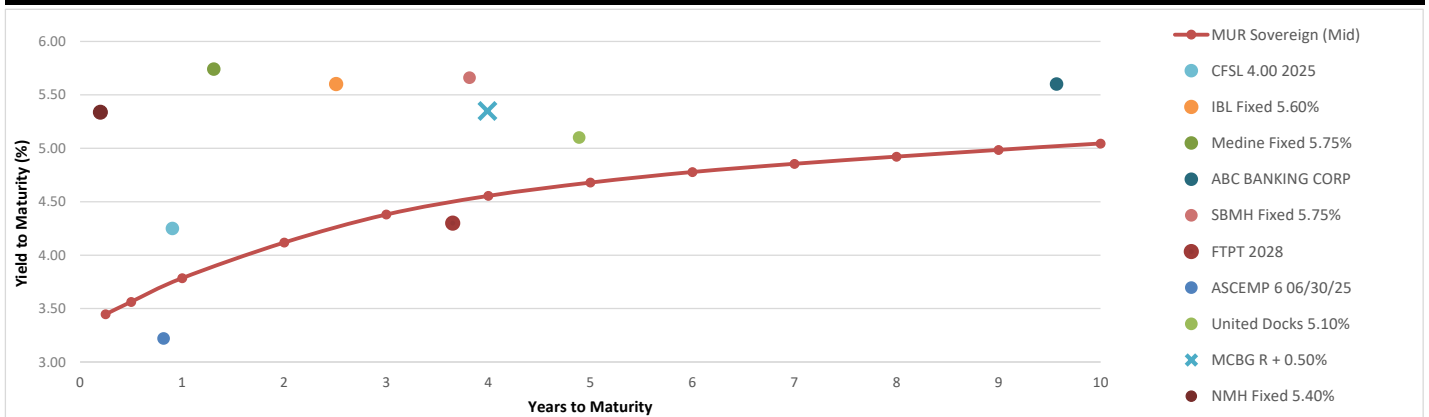
Comparison of latest MUR Bid Government Yield Curve as per BVAL calculation methodology compared to end-2023 and 1 month ago; Source: Bloomberg

### MUR Government Securities - Primary Issuance

Tenor	Weighted acc. yield	Amount issued ('mn)	Auction Date
7 days	4.50%	1,000	30-Aug-24
91 days	3.15%	350	29-Aug-24
182 days	3.73%	2,500	29-Aug-24
364 days	3.83%	2,550	29-Aug-24
3 years	4.52%	3,000	21-Aug-24
7 years	5.02%	2,000	07-Aug-24
10 years	5.68%	3,990	17-Apr-24
15 years	5.38%	4,600	23-Jul-24
20 years	5.61%	3,000	28-May-24

Economic Data		Last update
Overnight Deposit Facility	Rs 28.4bn	30-Aug-24
Key Rate	4.50%	11-Jul-24
Year-on-year inflation	2.70%	July 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

### Contact Details

**Money Market / Fixed Income Desk**  
 Jean Francois Ulcoq  
 T: (+230) 403 7358 / M: (+230) 5251 8972  
 JF.Ulcoq@afriasibank.com

Praveena Gangabissoon  
 T: (+230) 403 7362 / M: (+230) 5255 5852  
 Praveena.Gangabissoon@afriasibank.com

Satish Lutchmeenaraidoo  
 T: (+230) 403 6944 / M: (+230) 5258 3369  
 Satish.Lutchmeenaraidoo@afriasibank.com

Reetesh Ramgoolam  
 T: (+230) 403 7395 / M: 5258 5637  
 Reetesh.Ramgoolam@afriasibank.com

### Head Of Treasury

Jen Ramanah  
 DL: (+230) 403 7356 / M: (+230) 5253 8872  
 Jen.Ramanah@afriasibank.com

© 2024 AFRASIA BANK LTD, ALL RIGHTS RESERVED

afriasia@afriasibank.com | T: (+230) 403 5500 | F: (+230) 468 1655

www.afriasibank.com | Mauritius | South Africa



**Disclaimer:** Please note that the information published is purely indicative. AfrAsia Bank Ltd issues no invitation to anyone to rely on this bulletin and neither we nor our information providers shall be in no way whatsoever, liable for any errors or inaccuracies, regardless of cause, or the lack of timeliness, or for any delay or interruption in the transmission thereof to the user. The indicative rates and other market information are subject to changes at the bank's discretion. Whilst every effort is made to ensure the information is accurate, you should confirm