

Wednesday, November 11, 2020

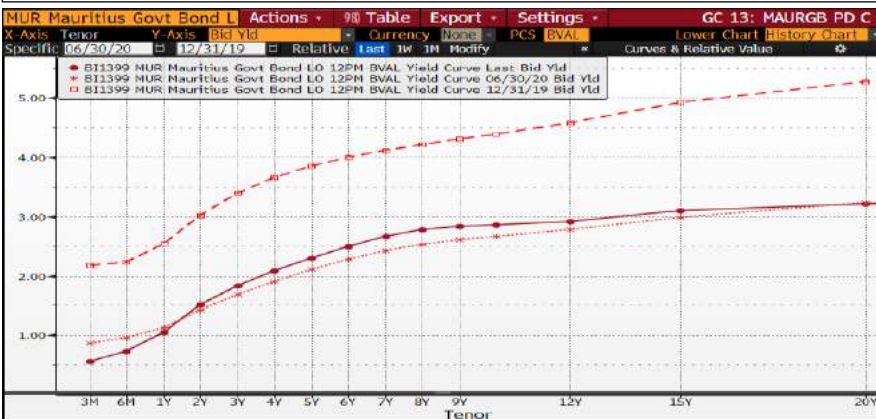
MUR Sovereign Debt Market

Maturity Range	3M	6M	12M	3Y	5Y	10Y	20Y
Years to maturity	0.25	0.5	1	3	5	10	20
Bank Buy Yield	0.55	0.73	0.87	1.95	2.25	3.20	3.75
Bank Sell Yield	0.40	0.58	0.72	1.75	n.a	n.a.	n.a.

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.

Our borders are open since the 1st October for passengers who agree to spend 2 weeks in self-paid quarantine. While this has helped locals and expatriates to return to Mauritius and enjoy the Covid-free environment, tourists have not massively shown their interest and the hotel sector is bracing itself for an extended period of low income. The MPC unanimously voted to keep the Repo Rate unchanged at 1.85%, citing "that the uncertainty characterizing the economic outlook was quite strong and warranted caution". The Mauritius Investment Corporation remains positioned to assist the distressed sectors, namely the hotels and the manufacturing sector - after Lux and Sun Resorts both secured MUR 1bn and MUR 3.1bn respectively, it is said that NMH is trying to secure a MUR 6bn facility. This probably caused Sun Resorts' and NMH's listed bonds to sell off (accentuated by lack of liquidity). On the other hand, CIM's recently issued 5y and 10y bonds rallied by 50bps since listing as investors continue to hunt for quality yield, in an environment of persistent excess liquidity (MUR 35.4bn as at 22nd October 2020), and stagnant stock prices after the SEMDEX has fallen by more than 30%. While the announcement of progress on an eventual vaccine could lift stock prices on positive sentiment, this would not properly reflect the state of the local economy.

After more than a month without any auctions, the Bank of Mauritius issued a 364-day paper last week. The race for allocation and the excess liquidity in the market pushed the bidding to the lower side, with the accepted weighted average being at 0.87% with only MUR300mn allocated out of the Rs800mn tendered for. Secondary market activity has remained subdued and dull during the past 3 months as yields remain unattractive and supply of paper, scarce. However, with the Bank releasing the Government Securities Issuance calendar after nearly a year, this provides some visibility to the Primary Dealers and secondary market in terms of yields expectations. MUR 33bn worth of securities are being tendered for until April 2021, spread across 3 to 20 years' maturity. It is the common belief that yields can only go up from where they are on these maturities, which could push the yield curve to steepen considerably.



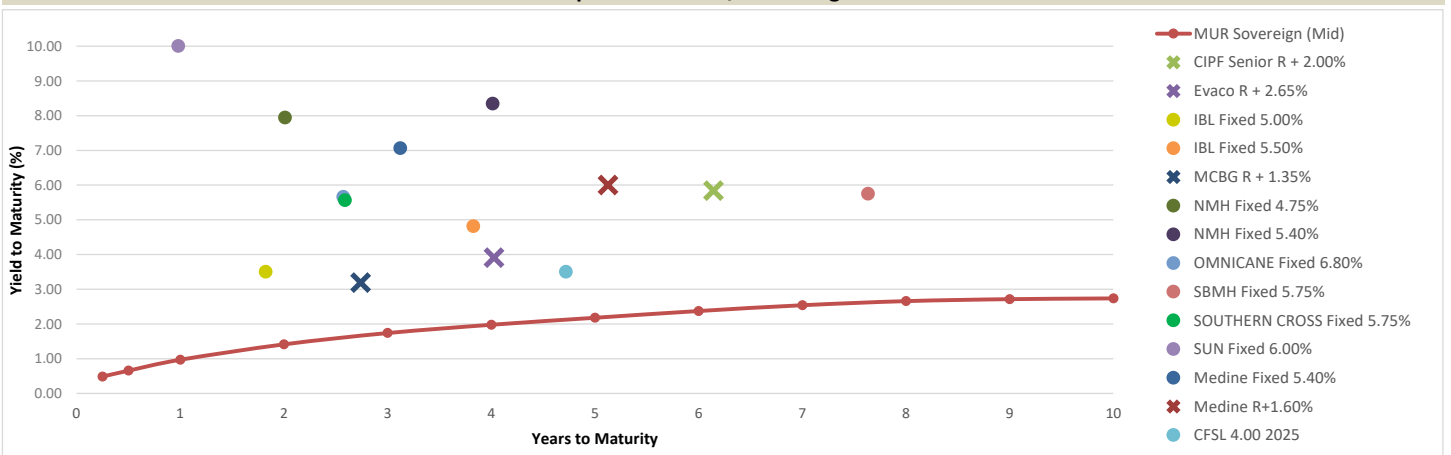
Comparison of latest MUR Bid Government Yield Curve as per BVAL calculation methodology compared to 30th June 2020 and end 2019; Source: Bloomberg

MUR Government Securities - Primary Issuance

Tenor	Weighted acc. yield	Amount issued ('mn)	Auction Date
119 days	0.27%	1,500	24-Apr-20
182 days	0.90%	3,700	19-Jun-20
364 days	0.87%	300	06-Nov-20
3 years	1.80%	3,500	12-Aug-20
5 years	1.90%	700	05-Aug-20
10 years	2.02%	5,400	08-Jun-20
15 years	3.79%	1,500	13-Mar-20
20 years	3.17%	2,000	17-Apr-20

Economic Data		Last update
Excess Cash Holdings	Rs 35.4bn	22-Oct-20
Repo Rate	1.85%	23-Sep-20
Headline inflation	2.10%	Oct 2020

Listed Corporate bonds v/s Sovereign Yield Curve



Corporate bonds denominated in "X" are floating-rate notes; yields shown assume Repo 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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