

Wednesday, September 23, 2020

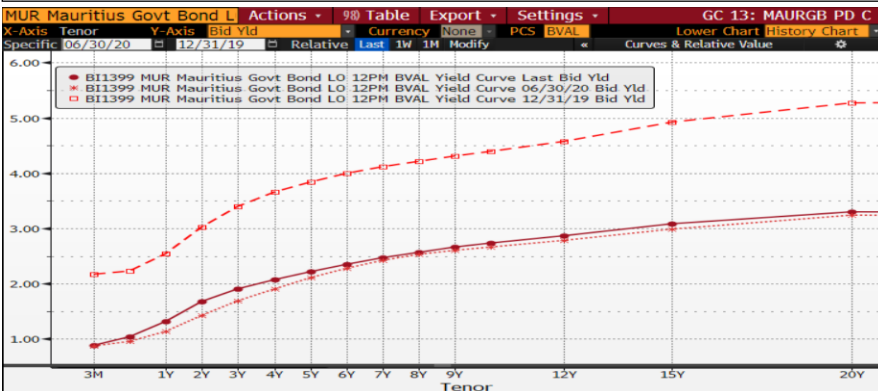
MUR Sovereign Debt Market

Maturity Range	3M	6M	12M	3Y	5Y	10Y	20Y
Security Name	MAURCB 0 12/18/20	MAURTB 0 03/12/21	MAURCB 0 09/10/21	MAURCN 1.79 08/14/23	MAURBB 1.9 08/07/25	MAURBB 1.95 06/08/30	MAURGB 3.1 04/17/40
Years to maturity	0.25	0.5	1	3	5	10	20
Bank Buy Yield	0.75	0.95	1.37	1.95	2.25	2.75	3.35
Bank Sell Yield	0.60	0.80	1.22	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.

With the soft-opening of the borders announced for the 1st October (2nd phase), travelers from Reunion, Paris and Dubai will be able to travel to Mauritius and choose a hotel for their quarantine while bearing the costs. This measure is not viewed as encouraging for the tourism industry, leading to talks of several hotels being put to sale and the specter of 100,000 people unemployed by the end of the year (compared to 40,000 in 2019). Indeed, it is now understood that the worst is NOT behind us. The Monetary Policy Committee is meeting this afternoon – we do not expect a Repo Rate cut at this point and expect the Bank to keep its ammunition for later, when the expected worsening of the economy materialises, due to Covid-related events, Mauritius being included in the European Union blacklist and when the relevant authorities pull out the different schemes in place assisting the various sectors. Looking at the Bank's balance sheet, we see an increase of MUR 65bn as at end-August compared to end-June, mostly attributed to a considerable increase in Government Demand Deposits and Monetary Policy Instruments – maybe to be allocated to the Mauritius Investment Corporation?

The 2.5% 2-year savings bond has been extended to the end of the year as retail investors lack safe alternatives to place their cash - Government papers up to 5 years' maturity are hardly yielding 2.0% on the secondary market while the SEMDEX is stagnant at a YTD performance of -30%. Although it seems listed corporate bonds are offering an attractive yield premium over Government securities, this market remains highly illiquid as investors mostly hold to maturity, making it difficult to source these on the secondary market. Since the last 2 months, there has been around MUR 5bn outstanding Treasury Certificates, made available to Non-Financial Public Sector Bodies outside of the Primary Dealer framework. Furthermore, due to a decreased supply and unattractive yields, secondary market activity on Government papers remains subdued with only MUR 8bn traded in August and only MUR 4.5bn traded so far in September, compared to MUR 19bn in August and September 2019. The last 4 auctions have been on 364-day paper only, which remains the preferred horizon for buyers for whom investing on the longer-term at current yields remains a hard pill to swallow... for now...



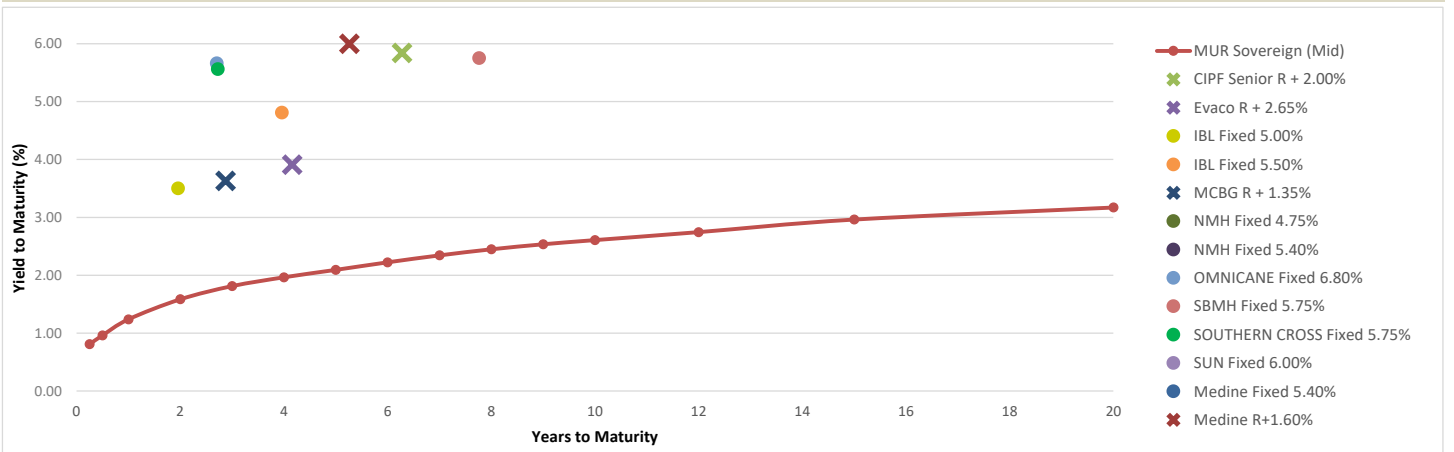
MUR Government Securities - Primary Issuance

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	1.40%	3,650	09-Sep-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 25.2bn	10-Sep-20
Repo Rate	1.85%	16-Apr-20
Headline inflation	1.80%	Aug 2020

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

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

Contact Details

Money Market / Fixed Income Desk

Jean Francois Ulcoq-T: (+230) 403 7358 / M: 5251 8972
JF.Ulcoq@afasiabank.com

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

Head Of Treasury

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

Praveena Gangabissoon- (+230) 403 7362 / M: 5255 5852
Praveena.Dhunuth@afasiabank.com

Business Manager

Kabir Ramburn-DL: (+230) 403 7353 / M: 5253 1982
Kabir.Ramburn@afasiabank.com

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

Senior Executive – Treasury & Markets

Parikshat G. Tulsidas: T: (+230) 403 7392 / M: (+230) 5941 1407
Parikshat.Tulsidas@afasiabank.com

