

Wednesday, June 2, 2021

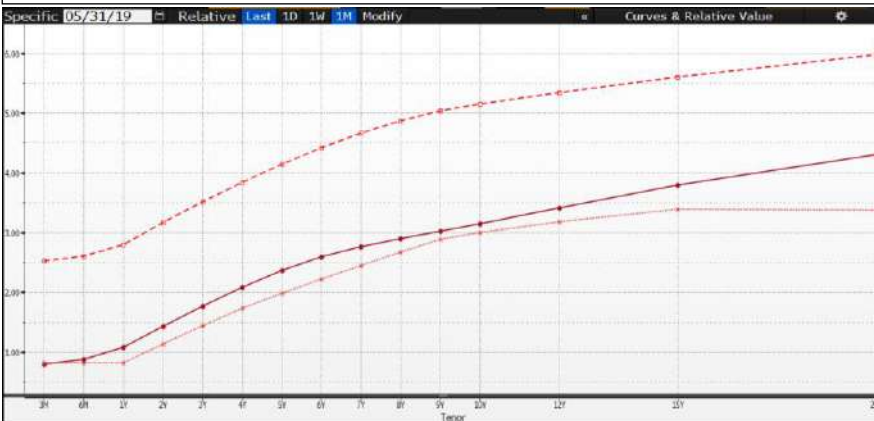
MUR Sovereign Debt Market

Maturity Range	3M	6M	12M	3Y	5Y	10Y	20Y
Years to maturity	0.25	0.5	1	3	5	10	20
Bank Buy Yield	0.70	0.80	1.20	1.75	2.55	3.75	4.40
Bank Sell Yield	0.55	0.65	1.05	1.55	2.30	3.50	4.15

**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.

The biggest surprise during May was the speed at which yields went up towards the end of the month, triggered by the latest 20y auction, issued in the range of 4.17% - 4.38%, at a weighted average of 4.31%. The size tendered for was already larger than the usual for a 20yr bond at MUR 2.5bn, with the Bank then tendering for more at the weighted average of 4.31%, to which an additional MUR 300mn was subscribed. The jump in the 20yr auction yields could have been a repercussion of the 5Yr paper being over-allocated a week before and the fact that no trade had been recorded on the secondary market for the previous 20yr issued in February. The latest excess liquidity figures show yet another decrease to MUR 20.3bn, levels seen in the pre-Covid era. While the Government yield curve has gone up, listed corporate bonds have not repriced yet, mostly due to their illiquidity. There is an additional MUR 1.45bn that will enter the financial system from Omnicane bonds maturing next week - however, this will surely be redirected to other corporate bonds being issued.

The MPC meeting which was initially scheduled for the 3rd June, has been postponed, probably depending on the National Budget due on the 11th June. Today there was a MUR 2.5bn of a 3yr auction (instead of a 5yr auction initially planned), which was issued at a weighted average of 1.95% (versus 1.41% on the 5th April). There was an additional MUR 1.2bn offered later at 1.95%, leading to the total amount issued on that bond to MUR 3.7bn. While we can compare the 20yr auction with the previous one held in February where MUR 2bn were issued at a weighted average of 2.98%, it is still important to highlight that there is a higher than usual supply of bonds maturing in 2041 on the secondary market (around MUR 4.5bn), while long-term inflation expectations are still hovering at same levels as 2 years ago, when 20yr bonds were yielding around 6%. In that view, a bear steepening remains in the order, especially with bidding ranges having widened, an indication that the race for allocation is not a priority at the moment, and that secondary market activity has not necessarily picked up, although the proportion of T-bills traded has been less than the previous months.



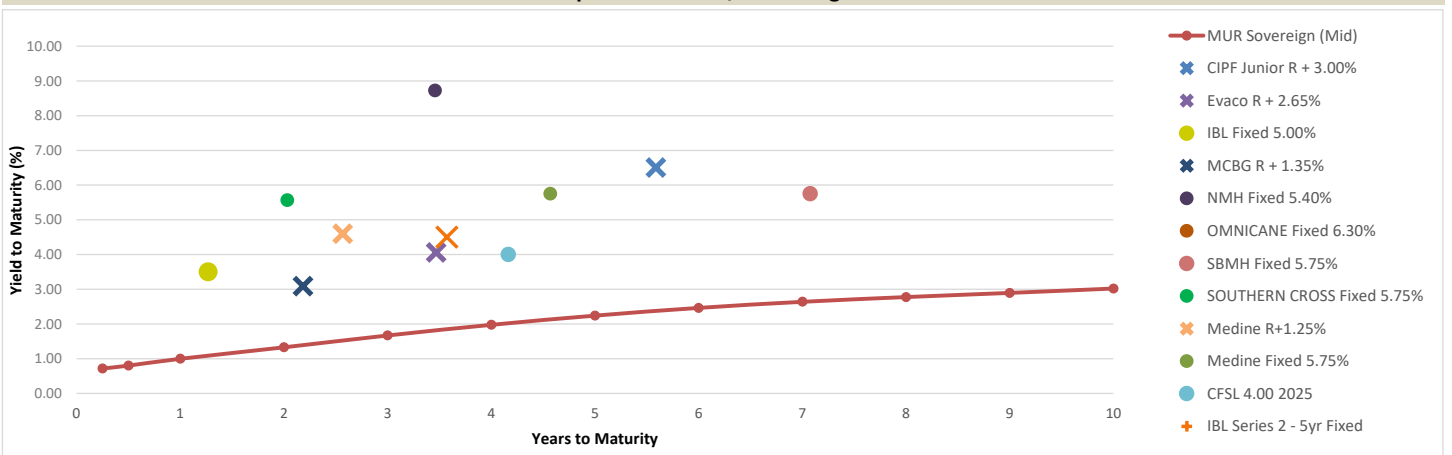
Comparison of latest MUR Bid Government Yield Curve as per BVAL calculation methodology compared a month ago and 2 years ago ; Source: Bloomberg

MUR Government Securities - Primary Issuance

Tenor	Weighted acc. yield	Amount issued ('mn)	Auction Date
91 days	0.63%	1,000	21-May-21
182 days	0.89%	1,400	28-May-21
364 days	1.05%	1,000	17-May-21
3 years	1.95%	3,700	02-Jun-21
5 years	2.26%	3,000	18-May-21
10 years	2.41%	2,000	03-Mar-21
15 years	3.57%	1,000	21-Apr-21
20 years	4.31%	2,800	26-May-21

Economic Data	Last update
Excess Cash Holdings	Rs 20.3bn / 20-May-21
Repo Rate	1.85% / 04-Feb-21
Headline inflation	1.90% / 01-Apr-21

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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