

Monday, May 3, 2021

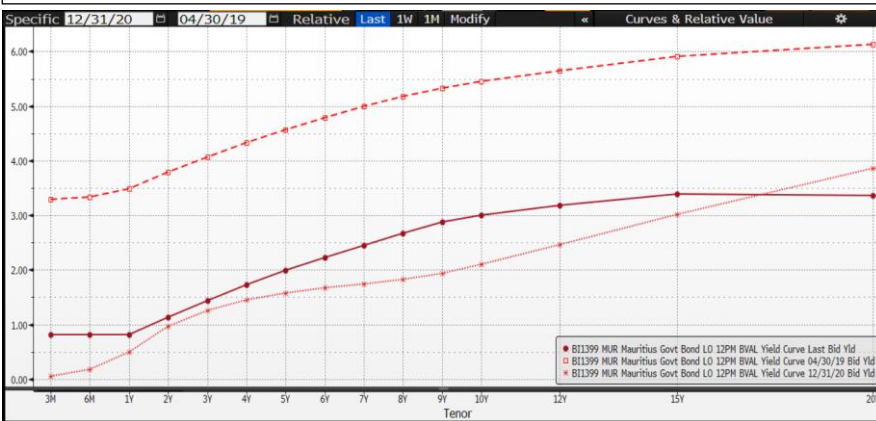
MUR Sovereign Debt Market

Maturity Range	3M	6M	12M	3Y	5Y	10Y	20Y
Years to maturity	0.25	0.5	1	3	5	10	20
Bank Buy Yield	0.40	0.50	0.65	1.40	2.30	3.25	3.85
Bank Sell Yield	0.25	0.35	0.50	1.20	2.05	3.00	3.60

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 second confinement which ended last weekend, saw the Government yield curve move considerably upwards. One reason could be the increase in government bond auctions, leading to excess MUR liquidity in the banking system falling to a 7-month low as per latest figures. While the Golden Jubilee bonds issued by the Bank of Mauritius 3 years ago are currently maturing with an approximate MUR 9bn expected to return in the system, this was countered with more issuances, among which exceptional 2yr and 4yr auctions in April, leading to a net increase of the amount of outstanding instruments issued by the Bank by approximately MUR 7.5bn during that month. Another reason could also be the prolonged reluctance to purchase long-term papers at all-time low yields from investors such as pension funds, insurers and asset managers confronted with the specter of negative real yields. As an indication, there have been approximately 500mn of the latest 15yr (issued in April at around 3.54%) traded on the secondary market as opposed to no trades on the previous 15yr issued in January at 1.86%. However, short-term yields remain at historically low levels due to the buy-and-hold capacity of short-term buyers and the reduced duration risk on such papers, although they did break out of their sluggish range.

Going forward, we could see a stabilization of the yield curve due to: 1) the curvature of the bond which seems back to "normal" levels as seen on the graph of the yield curve compared to 2 years ago below, although we expect an uptick of at least 50bps on the 20yr bond auction to play with 4%-levels due in a month, 2) Primary Dealers' alignment leading to bidding ranges having tightened recently, seen on the recent 15yr reopening and the latest 3yr auction with bids between 1.25% and 1.55%, 3) an increase in secondary market activity in April compared to the previous 2 months, 4) the Bank's comfort seen in its over-allocation on the lower-yielding short-term securities like the recent 3yr and T-bill auctions (last Friday only, while the Bank tendered for only MUR 1bn worth of the 3M and 6M combined, a whopping MUR 2.2bn were allocated, with all bids amounting to MUR 1.7bn on the 3M and 500mn on the 6M) and, 5) many MUR corporate bonds being issued at the moment showing issuers' comfort on current and expected yields.



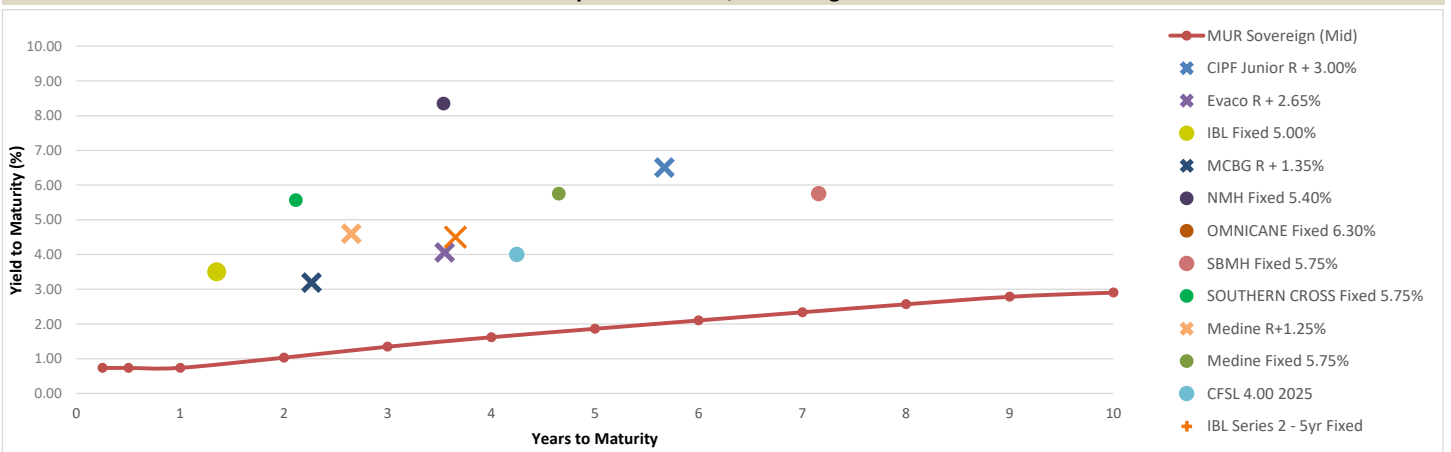
Comparison of latest MUR Bid Government Yield Curve as per BVAL calculation methodology compared to 31st December 2021 and 2 years ago; Source: Bloomberg

MUR Government Securities - Primary Issuance

Tenor	Weighted acc. yield	Amount issued ('mn)	Auction Date
91 days	0.47%	1,700	30-Apr-21
182 days	0.60%	500	30-Apr-21
364 days	0.74%	800	30-Apr-21
3 years	1.25%	2,200	22-Apr-21
5 years	1.73%	2,000	07-Apr-21
10 years	2.41%	2,000	03-Mar-21
15 years	3.57%	1,000	21-Apr-21
20 years	2.98%	2,000	03-Feb-21

Economic Data		Last update
Excess Cash Holdings	Rs 25.3bn	22-Apr-21
Repo Rate	1.85%	04-Feb-21
Headline inflation	2.20%	Mar-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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