

Tuesday, August 3, 2021

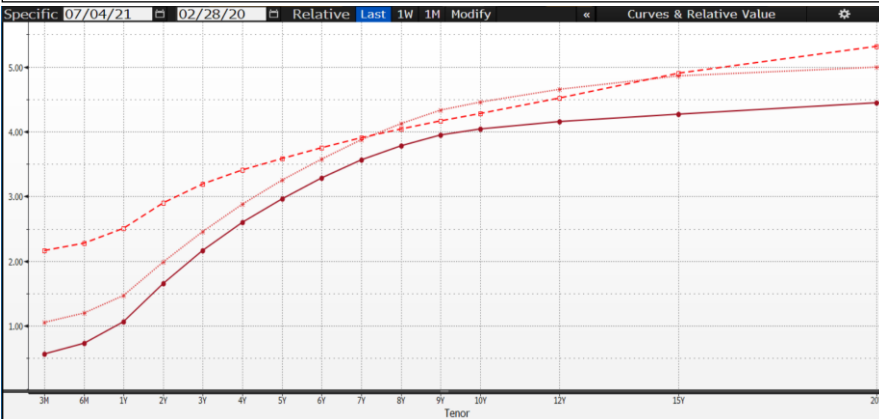
MUR Sovereign Debt Market

Maturity Range	3M	6M	12M	3Y	5Y	10Y	20Y
Years to maturity	0.25	0.5	1	3	5	10	20
Bank Buy Yield	0.70	0.87	0.95	2.10	2.77	3.86	4.47
Bank Sell Yield	0.55	0.72	0.80	1.90	2.52	3.61	4.22

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 first month of the financial year 21/22 was quite uneventful for the MUR Government bond universe. In terms of Primary issuance, the Bank had only 1 auction of a non-Tbill paper, a new 3yr which was issued at 2.02% through a single bid of MUR 2.5bn. While this is not unusual, it could indicate that one of the Primary Dealers really wanted this security, maybe due to missing out on several issuances from June. Secondary market activity was at a 5-month low in July (below MUR 8.2bn) compared to June (MUR 11.5bn). The proportion of trades on the short-term bills for the past 2 months has also decreased to less than 70% compared to 90% historically, leading us to believe that investors have recently loaded up on longer tenors. Consequently, they could be less inclined to purchase more at the same or lower levels, leading them to put pressure on Primary Dealers to bid higher at auctions. We should not underestimate the reluctance of the secondary market to trade when yields are too low: there has practically been no trade on the 15yr bond issued @ 1.86% in January versus more than MUR 1.2bn traded on the latest 15yr issued at 4.17% in June.

The Bank has also issued the new auction calendar for the whole financial year. While this is unusual, this effectively hands the secondary market investors a tool to increase their bargaining power, by helping them to effectively manage their cash flows for a longer period. We expect to see less "panic buying" due to FOMO (Fear Of Missing Out). The calendar highlights an issuance plan for notes and bonds of MUR 68bn versus less than MUR 45bn maturing this year - while not automatic, this could lead us to expect an increase in the indebtedness of the country. There are simply more long-term papers to be auctioned - historically, there has been a maximum of MUR 4.5bn of 20yr bonds issued each financial year. The secondary market has gotten used to this amount but this year, we are meant to expect MUR 7.0bn of that maturity. This sudden demand-supply gap could be enough to push yields upwards in the going months, while the shorter tenors should remain around current levels as the excess liquidity is not expected to marginally change. These moves would lead to a steepening of the curve, with the pivot probably around the 5yr maturity. In all cases, we await the 5yr auction and the outcome of the MPC meeting tomorrow.



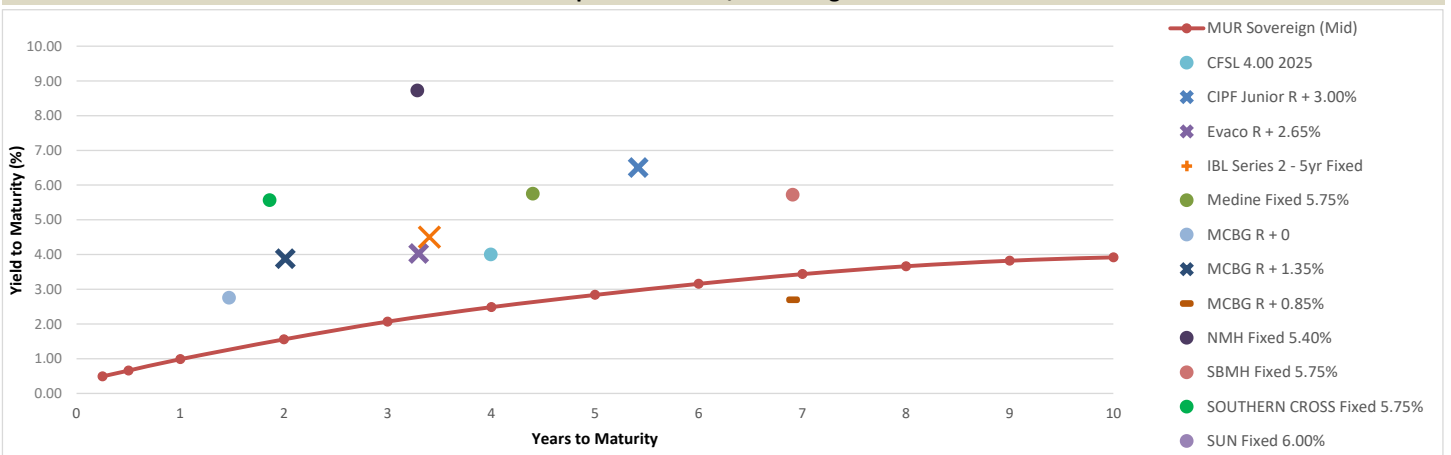
Comparison of latest MUR Bid Government Yield Curve as per BVAL calculation methodology compared a month ago and end of February 2020 ; Source: Bloomberg

MUR Government Securities - Primary Issuance

Tenor	Weighted acc. yield	Amount issued ('mn)	Auction Date
91 days	0.63%	1,333	30-Jul-21
182 days	0.77%	500	30-Jul-21
364 days	0.90%	1,667	30-Jul-21
3 years	2.02%	2,500	22-Jul-21
5 years	3.20%	3,250	21-Jun-21
10 years	4.56%	2,500	23-Jun-21
15 years	4.65%	2,150	16-Jun-21
20 years	4.31%	2,800	26-May-21

Economic Data	Last update
Excess Cash Holdings	Rs 25.4bn / 15-Jul-21
Repo Rate	1.85% / 04-Feb-21
Headline inflation	2.20% / Jun-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

Contact Details

Money Market / Fixed Income Desk

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

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

Head Of Treasury

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

Praveena Gangabissoun- (+230) 403 7362 / M: 5255 5852
Praveena.Dhunpath@afراسياbank.com

Business Manager

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

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

Senior Executive - Treasury & Markets

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