

Tuesday, February 28, 2023

MUR Sovereign Debt Market

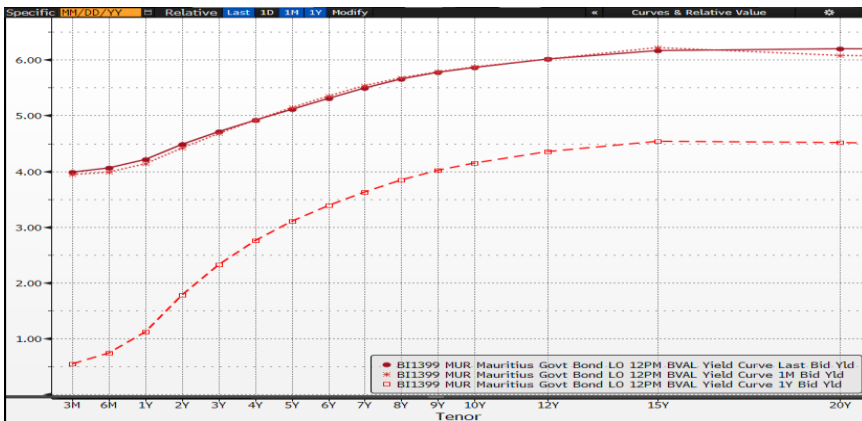
Maturity Range	3M	6M	12M	3Y	5Y	10Y	20Y
Years to maturity	0.25	0.50	1	3	5	10	20
Bank Buy Yield	4.55	4.70	4.75	4.85	5.25	5.75	6.10
Bank Sell Yield	4.40	4.55	4.60	4.65	5.00	5.50	5.85

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.

February saw a retracement in global yields and a strengthening of the USD versus other currencies triggered by what seems to be stickier-than-expected inflation as well as better-than-expected economic data. Locally, inflation continues to be on the rise although we expect it to peak in the next few months due to base effect. With borrowers, corporate and households alike, feeling the full brunt of lending rates unseen since the last 6 years, will the Bank of Mauritius continue on its interest rate hiking path to reduce interest rate differentials as previously indicated?

The 7-day paper continues to gain more and more traction from the primary market at a fixed rate of 4.50% (MUR 61bn were issued last week), while yields were pressured downward at recent auctions: the 3yr was issued at a weighted average of 4.76% and the 5yr was issued in a single bid of MUR 1.7bn at 4.90%, 26bps down from a month ago. While this single bid might be viewed as over-bullish, more than MUR 600mn were sold within a week at around 4.75%. To substantiate this appetite, MUR 900mn of the 3yr were also traded around 4.65% as well as MUR 600mn of the 20yr at around 5.82%, 20bps lower than where it was sold a month ago.

There are currently two schools of thought colliding on the MUR bond market. Firstly, with inflation having not yet peaked locally and the BOM having indicated their objective to reduce interest rate differentials, the Key Rate is expected to go higher. On the other hand, bond yields could have already peaked, due to excessive demand from cash which has remained idle for too long. While we remain biased for further curve flattening (whether bullish or bearish), March is expected to give a clearer indication on this tug-of-war with blue-chip corporate bonds, 5yr and 15yr Government issuances, as well as the MPC meeting. Should the BOM decline to raise the Key Rate “adequately”, this could be a step further towards the first inversion of the MUR Government yield curve, with investors who chose to add duration these past few weeks patting themselves on the back.



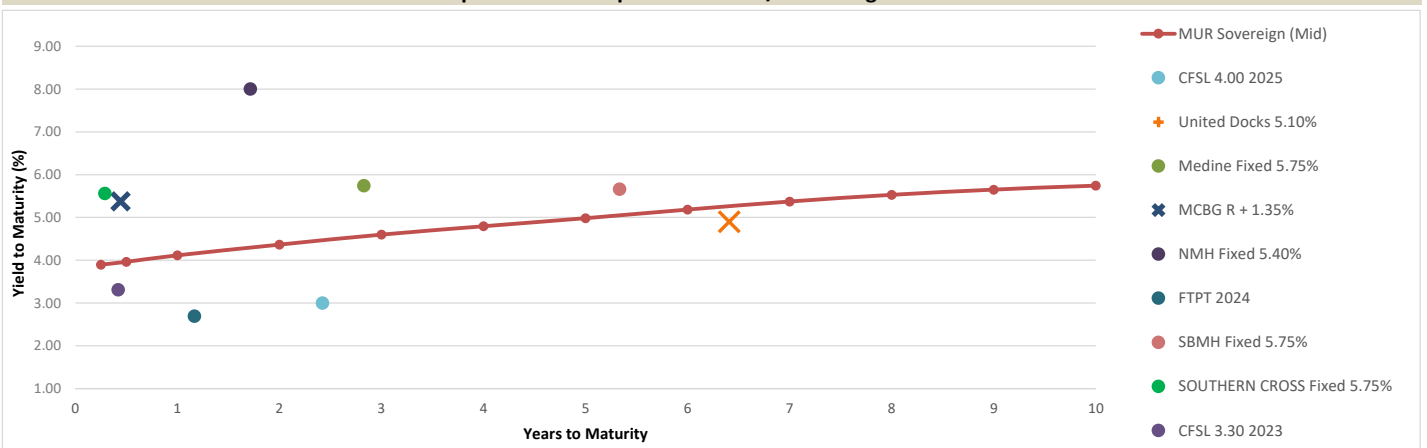
Comparison of latest MUR Bid Government Yield Curve as per BVAL calculation methodology compared to 1 month ago and a year ago; Source: Bloomberg

MUR Government Securities - Primary Issuance

Tenor	Weighted acc. yield	Amount issued ('mn)	Auction Date
7 days	4.50%	61,184	24-Feb-23
91 days	4.28%	500	09-Feb-23
182 days	4.42%	500	23-Feb-23
364 days	4.47%	500	16-Feb-23
3 years	4.76%	1,500	15-Feb-23
5 years	4.90%	1,700	22-Feb-23
10 years	5.93%	2,300	07-Dec-22
15 years	5.43%	2,300	09-Nov-22
20 years	6.19%	3,100	25-Jan-23

Economic Data	Last update
Excess Cash Holdings	Rs 30.6bn / 12-Jan-23
Repo Rate	4.50% / 14-Dec-22
Headline inflation	11.10% / January 2023

Sample of 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.Gangabissoon@afasiabank.com

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

