

Friday, June 10, 2022

MUR Sovereign Debt Market

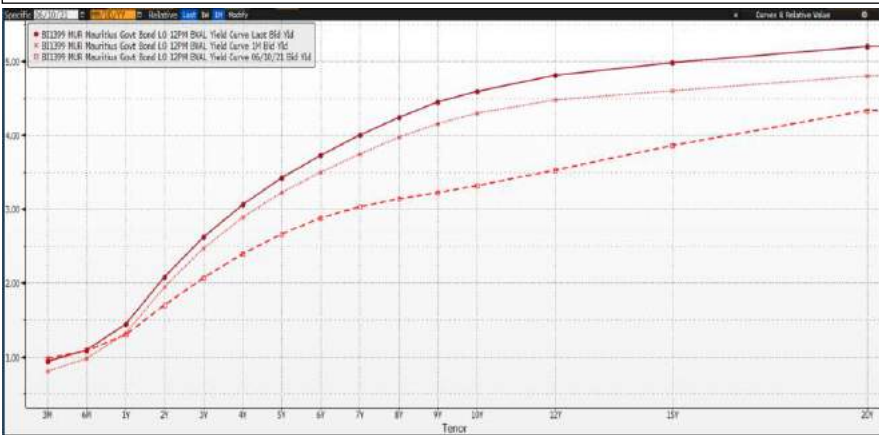
Maturity Range	3M	6M	12M	3Y	5Y	10Y	20Y
Years to maturity	0.25	0.50	1	3	5	10	20
Bank Buy Yield	1.10	1.25	1.50	3.10	3.55	4.75	5.90
Bank Sell Yield	0.95	1.10	1.35	2.90	3.30	4.50	5.65

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 start of June was not only marked by budgetary announcements meant to provide relief to consumers, but as expected, the Bank of Mauritius raised the Key Repo Rate by another 0.25%. As a matter of fact, headline inflation for May came out at 7.70%, a level unseen since more than 13 years, with the y-o-y figure at 10.70%. While it is reasonable to expect the Bank to stay on this path and hike again in September, we can only hope that the compensations and fiscal measures announced suffice to assist consumers given that prices as well as their debt repayments are trending upwards.

On the Primary market, the last few auctions were quite surprising. Accepted yields at auctions were already on the rise on the belly of the curve with the latest 5yr - it seems only 1 Primary Dealer was allocated the full MUR 2.2bn at a weighted average of 3.22% (up 12bps from previous auction). However, other Primary Dealers bid at a weighted average yield of 3.50%, which is a considerable disconnect. A week later, after the MPC raised the policy rate, the new 3yr was issued at a weighted average yield of 2.81% (only 22bps more than 2 weeks before) versus weighted average yield for the refused bids at 3.06%, further accentuating the lack of consensus at the Primary Market level.

On the secondary market, among non-banks, we have seen little traction on the longer tenors, especially the newly issued 15yr. We have even seen some selling of long-term bonds from what we believe are fund managers which is evidence of the lack of interest at the current yields. The issuance of the announced 7-day notes by the BOM and the 5yr Emerald Jubilee Bond at 4% can only support the yield curve to rise from current levels. The upcoming 20yr auction should set the tone - for reference, not only was the latest 15yr issued at a weighted average of 4.96%, before the MPC raised their inflation forecasts and the Key Repo Rate, but there has been little interest from the non-bank secondary market. The questions are whether we shall see further bear steepening or a bear flattening in the short-term, and to what extent.



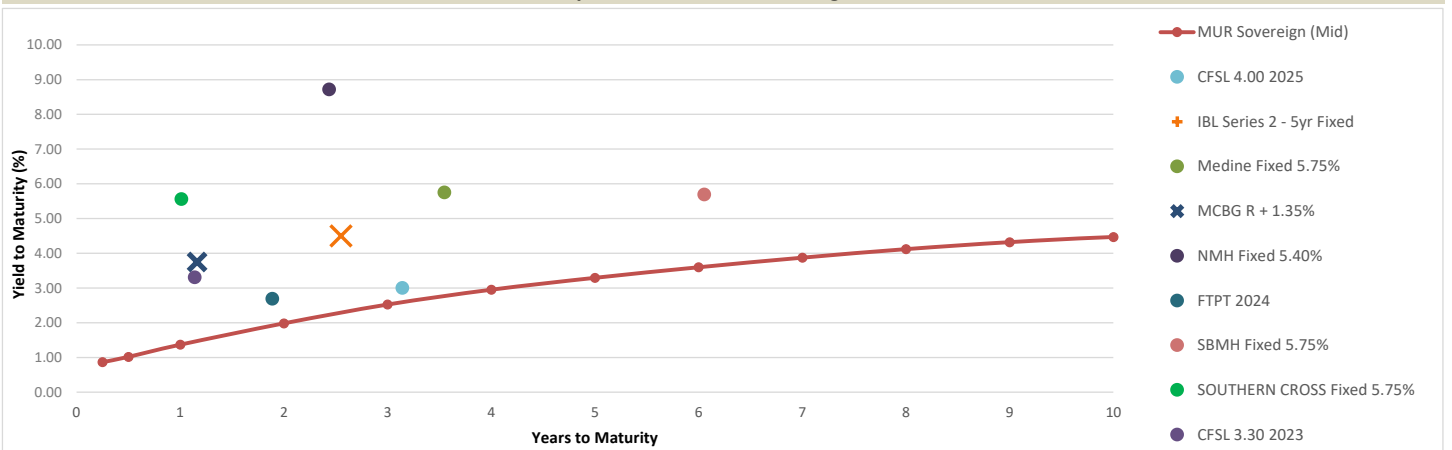
Comparison of latest MUR Bid Government Yield Curve as per BVAL calculation methodology compared to 1 month ago and a year ago ; Source: Bloomberg

MUR Government Securities - Primary Issuance

Tenor	Weighted acc. yield	Amount issued ('mn)	Auction Date
91 days	0.98%	950	10-Jun-22
182 days	1.09%	600	10-Jun-22
364 days	1.28%	300	10-Jun-22
3 years	2.81%	2,800	09-Jun-22
5 years	3.22%	2,200	01-Jun-22
10 years	4.39%	2,500	06-Apr-22
15 years	4.96%	2,000	18-May-22
20 years	4.61%	2,000	03-Feb-22

Economic Data	Last update
Excess Cash Holdings	Rs 25.6bn / 02-Jun-22
Repo Rate	2.25% / 03-Jun-22
Headline inflation	7.70% / May 2022

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

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