

Monday, May 9, 2022

**MUR Sovereign Debt Market**

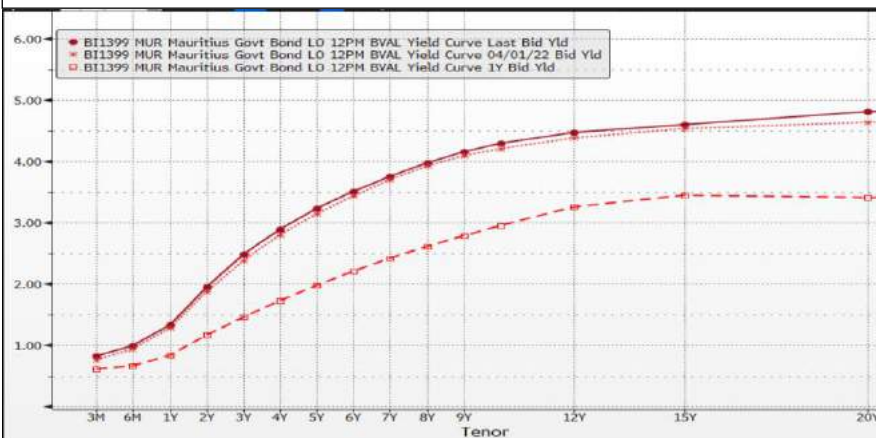
Maturity Range	3M	6M	12M	3Y	5Y	10Y	20Y
Years to maturity	0.25	0.50	1	3	5	10	20
Bank Buy Yield	0.80	0.85	0.95	2.45	3.00	4.70	4.90
Bank Sell Yield	0.65	0.70	0.80	2.25	2.75	4.45	4.65

**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.

Headline inflation for April 2022 was at 7.00%, (Year-on-year 11.00%) a level unseen since more than 12 years! Although this should be dampened with the round of subsidies recently announced, consumers' purchasing power should continue to fall due to the ripple effects of the high proportion of imports in our products. Following the 15bps hike of the Key Repo Rate in March, the MPC could respond to "growing inflationary pressures" and hike by another round, especially with the developed market already in tightening mode and reducing the interest rate differential with Mauritius.

May saw one of the largest amounts traded monthly on the secondary market. The 2 notable trades that we wish to highlight were a 1bn trade of the 3yr and a 500mn trade of the 5yr, allocated to Pension Funds. These have helped to create the respective floors as we do not expect downward pressure on yields of these maturities. In April, we saw the re-opening of the 3yr which was issued in a wide range of 2.33% - 2.60% compared to 2.25% - 2.29% a month before. The bidding range was also more scattered, showing a clear disconnect of market interpretation by Primary Dealers. This auction then set the tone for the re-opening of the 5yr last week, which was issued at a weighted average of 3.10%, 17bps higher than a month before. We expect current market jitters to persist at least until the end of June and remain cautious.

Next week, we shall see the 15yr auction which should set the path for the 20yr auction in June, thereby cementing the yield curve at the end of the financial year. We can only expect further steepening with the short-term anchored by the Key Repo Rate at current levels (the 3M was issued at 0.75% the last 4 auctions although the 12M has been rising steadily from 0.90% to 1.08%) coupled with the prospect of rising long-term yields due to inflation and any budgetary measures further requiring the government to tap the debt market.



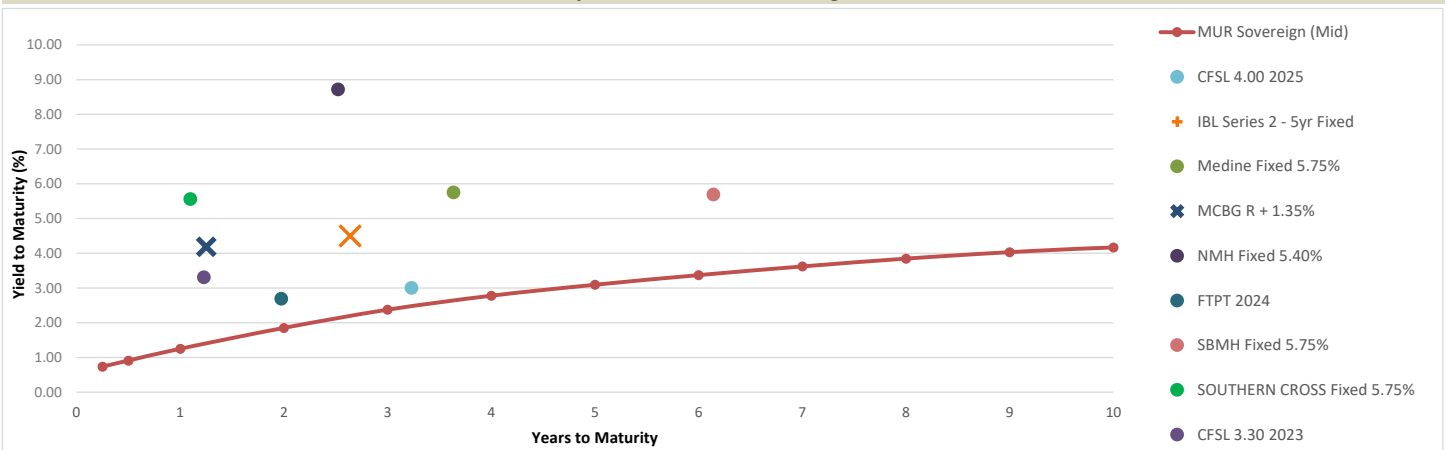
Comparison of latest MUR Bid Government Yield Curve as per BVAL calculation methodology compared to 3 months ago and a year ago ; Source: Bloomberg

**MUR Government Securities - Primary Issuance**

Tenor	Weighted acc. yield	Amount issued ('mn)	Auction Date
91 days	0.75%	600	06-May-22
182 days	0.92%	800	06-May-22
364 days	1.08%	500	06-May-22
3 years	2.47%	2,500	14-Apr-22
5 years	3.10%	2,200	04-May-22
10 years	4.39%	2,500	06-Apr-22
15 years	4.45%	2,500	12-Jan-22
20 years	4.61%	2,000	03-Feb-22

Economic Data		Last update
Excess Cash Holdings	Rs 23.6bn	21-Apr-22
Repo Rate	2.00%	09-Mar-22
Headline inflation	7.00%	April 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

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