

Thursday, November 11, 2021

**MUR Sovereign Debt Market**

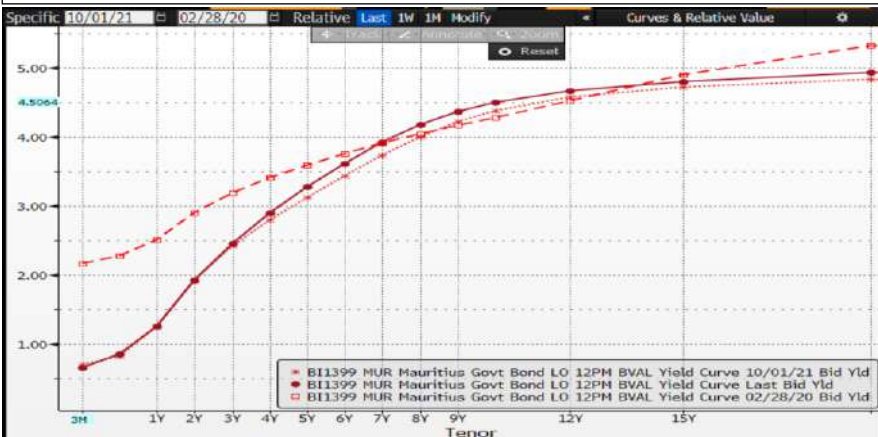
Maturity Range	3M	6M	12M	3Y	5Y	10Y	20Y
Years to maturity	0.25	0.5	1	3	5	10	20
Bank Buy Yield	0.65	0.85	1.00	2.40	3.15	4.50	4.95
Bank Sell Yield	0.50	0.70	0.85	2.20	2.90	4.25	4.70

**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.

Since the last update, we have seen Mauritius exit the FATF list, the re-opening of our borders and a drastic rise of Covid-19 cases, especially the Delta variant. At the last MPC meeting held on the 20<sup>th</sup> October, the Board unanimously decided to keep rates unchanged, citing that the "recently observed rise in domestic inflation rate is likely to taper off at the turn of the year." However, in the developed markets, Government bonds were retracing the recent uptick in yields when US inflation came out at a 31-year high, reiterating that inflation might be higher for longer. Mauritius is facing the double whammy of MUR depreciation (Bank of Mauritius recently intervened at all-time high of 42.65) and global prices rising due to supply chain disruptions, thereby questioning whether domestic inflation is indeed meant to plateau soon.

The 3-month paper has been issued at or below 0.65% since end-August and the 1yr T-bill has been pegged below 1.0% for some time now. We don't expect this to change as auction sizes get smaller. (1.5bn tomorrow versus 1.8bn last week and more than 4.5bn two weeks ago including the Bank's counter offers). Comparing the recent 5yr auction (belly of the curve) from 3<sup>rd</sup> November, with the previous one on the 19<sup>th</sup> October where MUR 2.2bn were issued each time, we denote: a) Higher bidding amounts (6.06bn v/s 4.26bn); b) Only 6 accepted bids v/s 12, implying larger bids and; c) Highest yield allocated remaining the same, but lowest yield allocated went up from 2.95% to 3.10%. We could interpret this as a consolidation at the belly of the curve.

However, as we enter the end of the year where liquidity is usually scarce and as persistent inflation remains a global macro theme, could the next step be the steepening of the long end driven by the 10yr auction next week? Although September saw MUR 21bn worth of trades (twice the average for the past 12 months) on the secondary market, the lack of secondary trades on the previous 10yr issued in June seems to point that way as investors demand higher yields for this maturity.



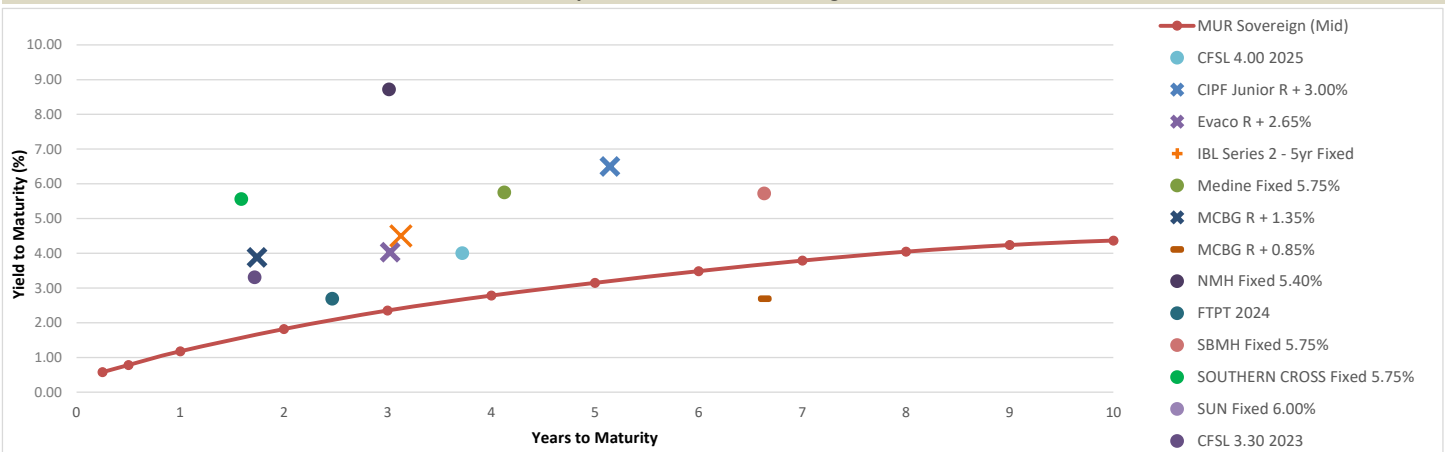
Comparison of latest MUR Bid Government Yield Curve as per BVAL calculation methodology compared a month ago and end of February 2020 ; Source: Bloomberg

**MUR Government Securities - Primary Issuance**

Tenor	Weighted acc. yield	Amount issued ('mn)	Auction Date
91 days	0.65%	414	05-Nov-21
182 days	0.84%	800	05-Nov-21
364 days	0.98%	586	05-Nov-21
3 years	2.38%	2,000	30-Sep-21
5 years	3.23%	2,200	03-Nov-21
10 years	4.56%	2,500	23-Jun-21
15 years	4.64%	2,000	20-Aug-21
20 years	4.96%	2,500	14-Sep-21

Economic Data	Last update
Excess Cash Holdings	Rs 29.7bn / 04-Nov-21
Repo Rate	1.85% / 20-Oct-21
Headline inflation	3.40% / Oct-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@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.Dhunpath@afasiabank.com

**Business Manager**

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

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

