Local Fixed Income Update

AFRASIA bank different

Wednesday, October 26, 2022

MUR Sovereign Debt Market

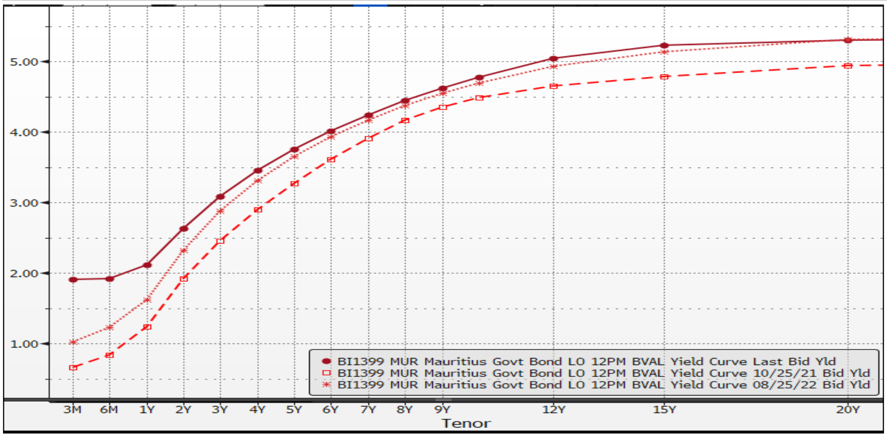
Maturity Range	3M	6M	12M	3Y	5Y	10Y	20Y
Years to maturity	0.25	0.50	1	3	5	10	20
Bank Buy Yield	1.77	1.93	2.00	3.30	3.70	4.90	5.65
Bank Sell Yield	1.62	1.78	1.85	3.10	3.45	4.65	5.40

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 Bank of Mauritius hiked rates on the 28th September by 75bps to 3.00%, thus reducing the interest rate differential with the US Fed Funds rate. The next MPC meeting is scheduled in December and with headline inflation reaching a 21-year high at 9.40% in September, another rate hike is in the pipeline. We believe the amplitude of that hike will depend a lot on where the US Fed rates will be, thereby aiming to reduce the USD's attractiveness versus the MUR. Furthermore, the Bank intervened on the FX market at 43.80 for the 2nd time, cementing the MUR's appreciation versus the USD since July.

Treasury bills have followed the rise in the Key Repo Rate with some volatility due to Primary dealers' race to allocation against the Bank's quarterly over-allocation/counter-offers, with the 3-,6- and 12-month settling at 1.73%, 1.93% and 2.00% respectively. Last week saw the 7-year bond was issued for the first time at a weighted average yield of 4.14% versus the weighted average bid of 4.29%, which is a rough interpolation in the 5-10yr part of the yield curve. The shocker remains the latest 20yr issued at the end of the September: 1 bid of MUR 2.5bn at 5.24% versus the weighted average bid of 5.46%, compared to the June auction issued at a weighted average yield of 5.31%, in an environment where inflation and consequently interest rates, are rising. The 15yr to be issued next week will determine if the end of the yield curve's resistance around 5.25% will hold. In all cases, we continue to expect the yield curve to follow a bear flattening trend.

On the secondary market, activity has been surprisingly higher during the past few weeks, with larger volumes on maturities greater than 1 year. However, this was dominated mostly by the Pension funds and Primary Dealer cohorts, leading us to believe that the other participants of the secondary market remain reluctant to invest at these levels. We maintain our view that there remains little rationale for the yield curve to not rise going into year end.



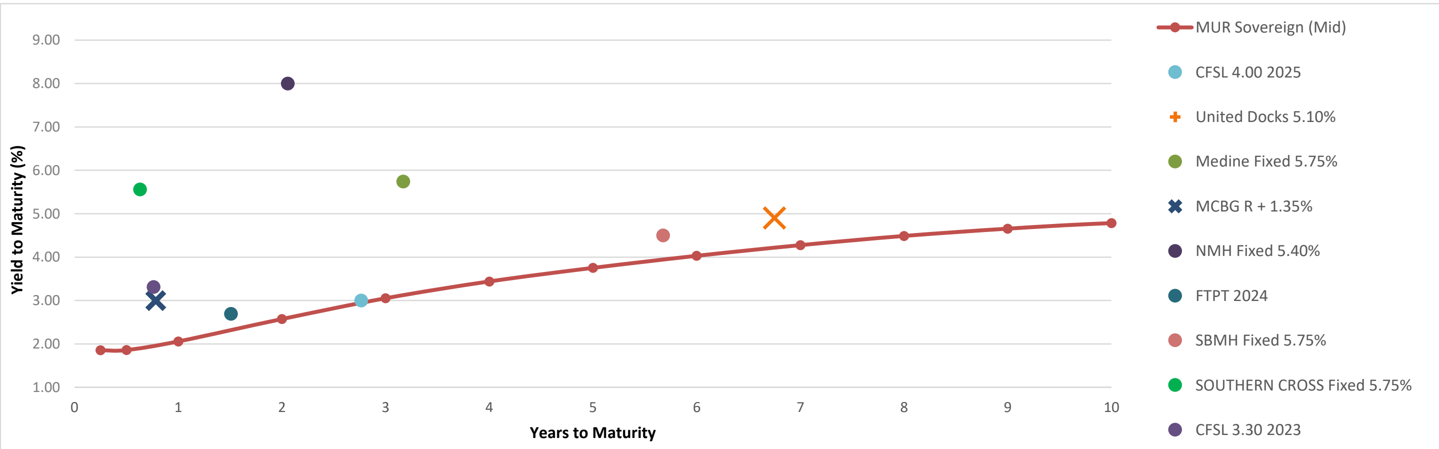
Comparison of latest MUR Bid Government Yield Curve as per BVAL calculation methodology compared to 1 month ago and a year ago ; Source: Bloomberg

MUR Government Securities - Primary Issuance

Tenor	Weighted acc. yield	Amount issued ('mn)	Auction Date
7 days	1.00%	13,600	20-Oct-22
91 days	1.75%	2,500	21-Oct-22
182 days	1.93%	500	14-Oct-22
364 days	2.00%	500	21-Oct-22
3 years	3.21%	1,500	29-Sep-22
7 years	4.14%	1,600	19-Oct-22
10 years	4.79%	2,300	03-Aug-22
15 years	4.96%	2,000	18-May-22
20 years	5.24%	2,500	28-Sep-22

Economic Data		Last update
Excess Cash Holdings	Rs 23.5	06-Oct-22
Repo Rate	3.00%	28-Sep-22
Headline inflation	9.40%	September 2022

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

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