

Tuesday, September 5, 2023

MUR Sovereign Debt Market

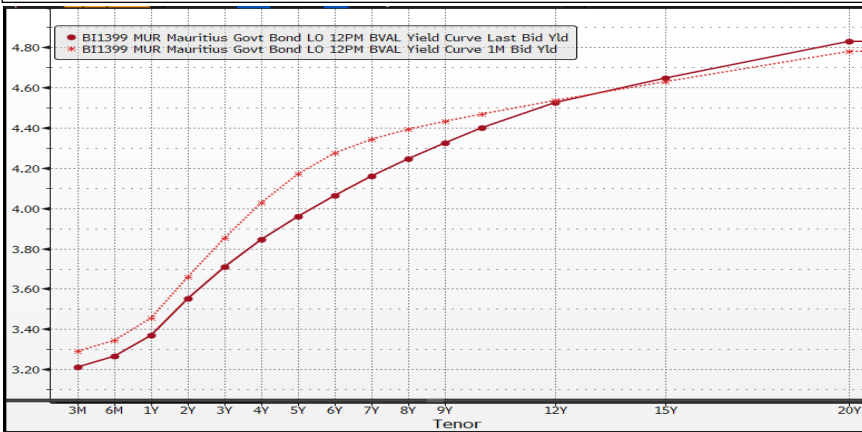
Maturity Range	3M	6M	12M	3Y	5Y	10Y	20Y
Years to maturity	0.25	0.50	1	3	5	10	20
Bank Buy Yield	3.15	3.20	3.35	3.65	3.80	4.50	4.90
Bank Sell Yield	3.00	3.05	3.20	3.45	3.55	4.25	4.65

**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.

The Bank of Mauritius did not hold the 2<sup>nd</sup> MPC meeting of this year as announced in the June meeting. However, the Bank issued several papers of different maturities amounting to a whopping MUR 28bn to absorb liquidity with a view to improve the monetary policy transmission mechanism. As such, banks have deposited only MUR 61bn with the BOM's Overnight Facility last Friday, compared to MUR 86bn as at the 4<sup>th</sup> August. The Bank could set the next MPC meeting right after the next Fed's decision scheduled for the 20<sup>th</sup> September to decide on the relevant interest rate differential. However, with inflation pursuing its downward trend with the YoY figure falling to 5.9% down from 7.9% last month (and the CORE1 falling to 3.1% from 3.6% last month), the MPC has one less reason to raise the Key Rate which would further burden borrowers, corporates and households alike.

Comparing the last 2yr BOM papers issued one week apart, the lowest and highest bids went up by 10bps and 15bps respectively. Interestingly, while the amount tendered for was much higher, a smaller number of bids were accepted, which means much bigger bids were placed at the bottom of the range. This could lead us to believe that this is not really a consolidation of where bidders are expecting yields should be, but rather a case with one or more entities overly eager to be allocated. The 10yr auction due this week should give us a better indication. (As a reminder, the difference between the weighted average yield of accepted bids and non-accepted bids was 57bps for the 15yr).

The secondary market was very active compared to the previous month. Oddly, we saw nearly MUR 1.9bn of paper being sold to Non-Primary Dealer banks, Pension Funds, Insurance and Others, which was then sold back to the Primary Dealers cluster. There might also be a consensus among the Non-Bank Financial Institutions cluster, especially since the last 2 weeks, about the probability of BOM not hiking rates further or simply due to FOMO where MUR 2.9bn were purchased by these participants. Nonetheless, with the reduction of money supply, we expect rates to grind higher rapidly should the Bank continue to mop up liquidity at the same pace.



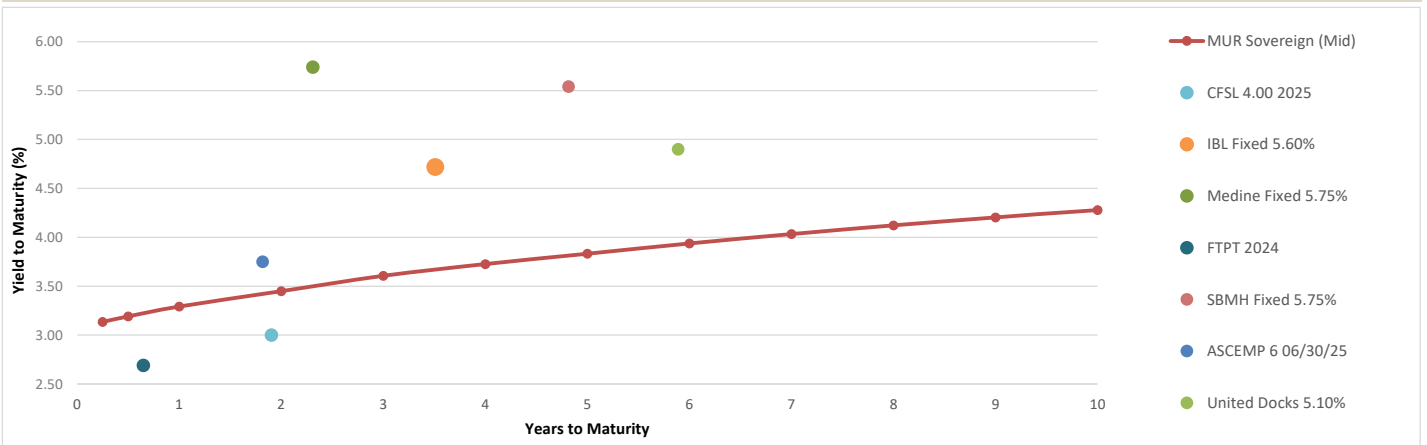
Comparison of latest MUR Bid Government Yield Curve as per BVAL calculation methodology compared to 1 month ago ; Source: Bloomberg

MUR Government Securities - Primary Issuance

Tenor	Weighted acc. yield	Amount issued ('mn)	Auction Date
7 days	4.50%	5,000	01-Sep-23
91 days	3.08%	3,014	31-Aug-23
182 days	3.18%	986	31-Aug-23
364 days	3.34%	700	31-Aug-23
3 years	3.63%	1,800	23-Aug-23
5 years	3.79%	1,700	16-Aug-23
10 years	5.25%	2,300	03-May-23
15 years	4.46%	2,300	17-Jul-23
20 years	5.71%	3,100	21-Jun-23

Economic Data		Last update
Overnight Deposit Facility	Rs 61.5bn	01-Sep-23
Key Rate	4.50%	15-Jun-23
Headline inflation	10.00%	July 2023

Sample of listed Corporate bonds v/s Sovereign Yield Curve



Corporate bonds denominated in "X" are floating-rate notes; yields shown assume Key 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 Gangabisooson- (+230) 403 7362 / M: 5255 5852  
Praveena.Gangabisooson@afasiabank.com

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

