

Tuesday, October 3, 2023

MUR Sovereign Debt Market

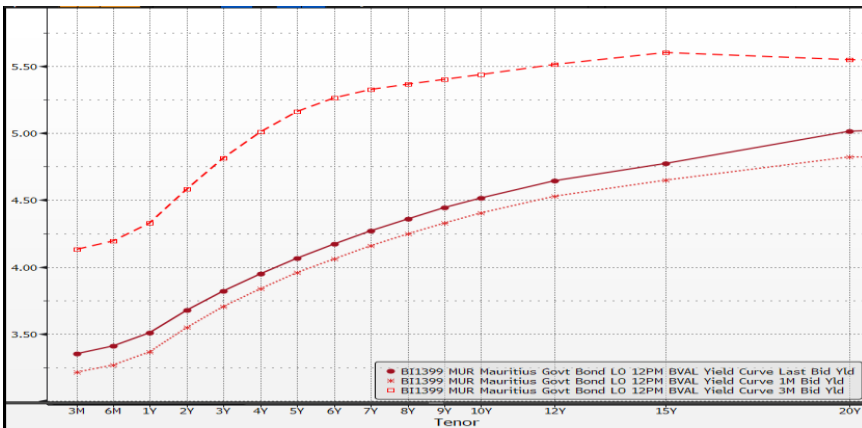
Maturity Range	3M	6M	12M	3Y	5Y	10Y	20Y
Years to maturity	0.25	0.50	1	3	5	10	20
Bank Buy Yield	3.30	3.40	3.60	3.80	4.05	4.65	5.25
Bank Sell Yield	3.15	3.25	3.45	3.60	3.80	4.40	5.00

**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 held its 2<sup>nd</sup> MPC meeting of the year on the 15<sup>th</sup> September which was initially indicated to be in August, where the members voted unanimously to keep the Key Rate unchanged at 4.50% due to the fact that “inflation in Mauritius is well saddled on a downward trajectory and this trend looks set to continue” although the YoY inflation stabilized at 5.90%, unchanged from last month. The Bank continued to mop up liquidity with the issuance of more than MUR 42bn of securities maturing between 3 months and 2 years, leading to the amount placed in the Overnight Deposit Facility to fall from MUR 61bn to MUR 35bn.

A 10yr paper was surprisingly issued in a wide range at the beginning of the month, from 4.24% to 4.65% showing a clear disconnect between Primary Dealers. While there has hardly been any trade on this security, interested investors should negotiate as the spread between the 5yr and the 10yr is expected to narrow with upcoming 5yr auctions, twice this month. However, auctions for the 2yr notes issued by the Bank of Mauritius, which attract bids from all banks alike, were also interesting. On the 1<sup>st</sup> September, MUR 4bn were issued at a weighted average of 3.53%. However, the Bank did not accept any bid at the next 2 weekly auctions, countering too much eagerness to push yields higher while the next 2 auctions saw MUR 4bn and MUR 2.2bn (out of MUR 4bn tendered for) issued at weighted averages of 3.67% and 3.70% respectively. Indeed, compared to a month ago, the 3M, 6M, 12M, 2yr and 3yr were issued 19bps, 25bps, 26bps, 17bps and 16bps higher respectively. Should we expect something similar on the 5yr auction due tomorrow?

Apart from a few notable trades from the 'Pension Fund' segment, secondary market activity was not very exciting. As long as the Bank continues with unplanned sizeable auctions, rates are expected to grind higher as bidders become more selective with less excess liquidity at hand. However, with the Bank capping yields on some auctions and with most excess liquidity mopped up already, we do not expect this trend to persist through to next month.



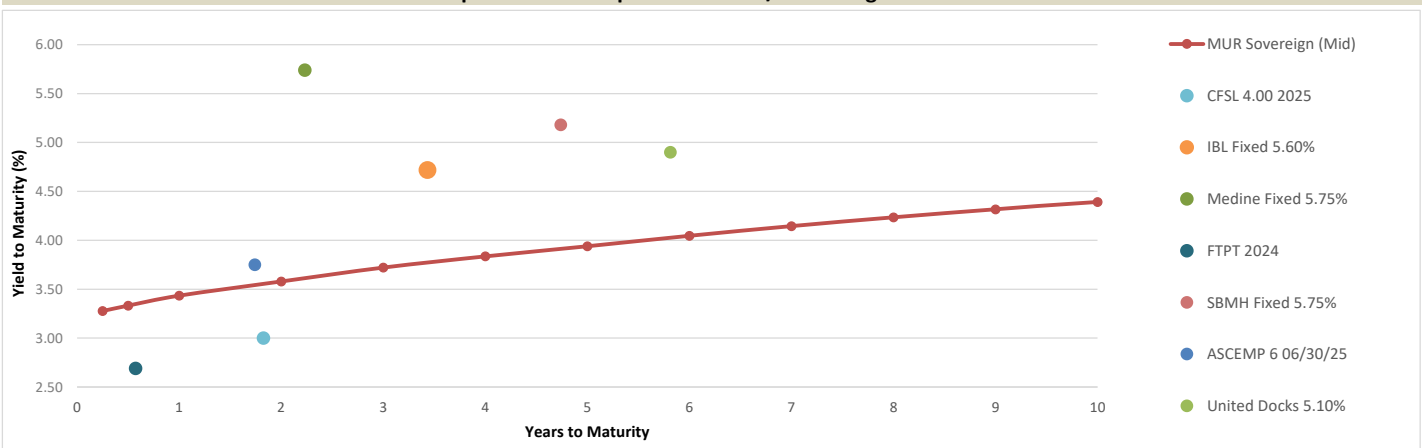
Comparison of latest MUR Bid Government Yield Curve as per BVAL calculation methodology compared to 1 & 3 months ago ; Source: Bloomberg

MUR Government Securities - Primary Issuance

Tenor	Weighted acc. yield	Amount issued ('mn)	Auction Date
7 days	4.50%	2,000	29-Sep-23
91 days	3.27%	4,000	28-Sep-23
182 days	3.43%	700	28-Sep-23
364 days	3.60%	4,000	28-Sep-23
3 years	3.79%	2,100	19-Sep-23
5 years	3.79%	1,700	16-Aug-23
10 years	4.41%	2,300	06-Sep-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 35.3bn / 29-Sep-23
Key Rate	4.50% / 15-Sep-23
Headline inflation	9.60% / August 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

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