Local Fixed Income Update

Tuesday, July 2, 2024

MUR Sovereign Debt Market

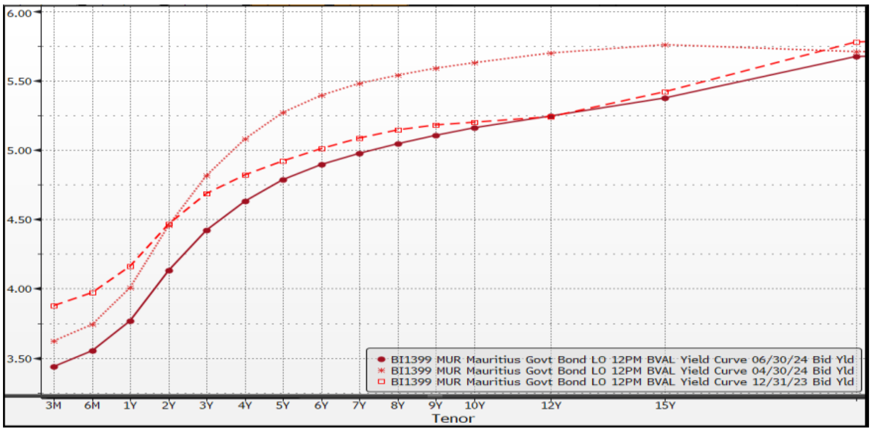
Maturity Range	3M	6M	12M	3Y	5Y	10Y	20Y
Years to maturity	0.25	0.50	1	3	5	10	20
Bank Buy Yield	3.25	3.55	3.85	4.50	5.15	5.50	5.70
Bank Sell Yield	3.10	3.40	3.70	4.30	4.90	5.25	5.45

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 first half of the year saw the Bank of Mauritius hold only 1 MPC meeting. As accustomed with the previous years, market participants impatiently await for the auction calendar to be released. Year on year inflation, based on the new CPI series fell to 2.9% in May, while the 12-month average headline fell to 5.0%. With the central banks in developed markets engaging in policy rate cuts soon enough, will the BOM follow suit?

MUR yields gradually climbed during the first 4 months of 2024, following the global trend as well as due to bidding at higher levels in the face of over-allocations. We then believe an overzealous bidder on the 20yr caused yields to fall in May, with spillover effects on the subsequent 3yr (35bps lower than previous), through to June with the last 5yr falling nearly 50bps compared to a month earlier. However, the surprise came mostly from the amount where only MUR 600mn were issued compared to MUR 1.6bn tendered for. This could have been more a case of the Government having low cash-flow requirements at that time than yields being at a too high level (we believe that the full MUR 1.6bn could have been issued by extending the accepted range by a maximum of 5bps only). This argument is substantiated by the fact that only the Bank, and not the Government, issued bills the next 2 weeks.

At last week's BOM bill auctions, there were no bids on the 3M paper, only 1 bid on the 6M, and only 3 bids on the 12M. Although BOM bills' auctions are available to all banks and not only Primary Dealers, they ended June by attracting only MUR 4.6bn worth of bids for MUR 4bn tendered for across all 3 maturities. This either simply indicates that yields are currently unattractive, or that the excess liquidity is held unevenly by participants in the banking sector. The latter argument can be supported by the fact that more than MUR 2bn was lent on the Overnight Interbank market the last few business days of June, although the Overnight Deposit facility with the BOM still attracted around MUR 30bn. Furthermore, 50% of the volume traded on the secondary market was allocated to Primary Dealers in June, what we again interpret as another sign of liquidity shifting hands.



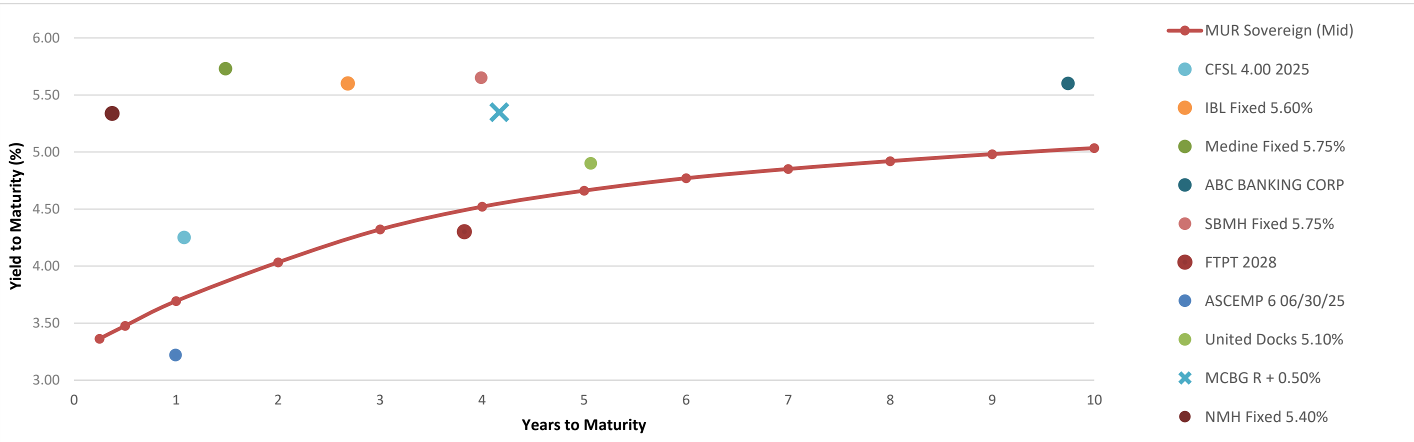
Comparison of latest MUR Bid Government Yield Curve as per BVAL calculation methodology compared to end-2023 and April-2024 ; Source: Bloomberg

MUR Government Securities - Primary Issuance

Tenor	Weighted acc. yield	Amount issued ('mn)	Auction Date
7 days	4.50%	1,000	28-Jun-24
91 days	3.14%	500	20-Jun-24
182 days	3.45%	500	27-Jun-24
364 days	3.70%	3,500	27-Jun-24
3 years	4.55%	2,300	29-May-24
5 years	4.79%	600	19-Jun-24
10 years	5.68%	3,990	17-Apr-24
15 years	5.20%	2,300	22-Jan-24
20 years	5.61%	3,000	28-May-24

Economic Data		Last update
Overnight Deposit Facility	Rs 31.1bn	28-Jun-24
Key Rate	4.50%	03-Apr-24
Year-on-year inflation	2.90%	May 2024

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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