

Local Fixed Income Update

6th December 2024



MUR Sovereign Debt Market

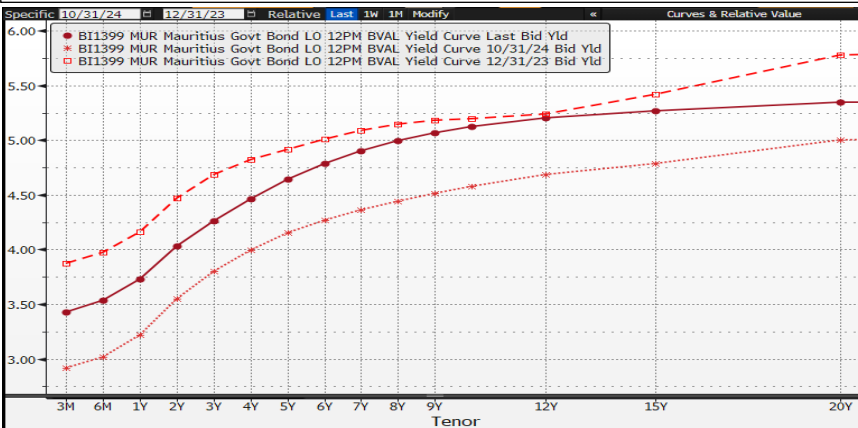
Maturity Range	3M	6M	12M	3Y	5Y	10Y	20Y
Years to maturity	0.25	0.50	1	3	5	10	20
Bank Buy Yield	3.25	3.35	3.60	4.30	4.55	4.85	5.45
Bank Sell Yield	3.10	3.20	3.45	4.10	4.30	4.60	5.20

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.

November was very eventful with the general elections held on the 10th which saw the opposition coalition win all 60 parliamentary seats. Dr. Rama Sithanen was then appointed Governor of the Bank of Mauritius and announced that stabilising the Mauritian Rupee would be a priority during his mandate – indeed, the Bank intervened on the 18th to the tune of USD 25mn at 46.50. While the previous Monetary Policy committee cut rates by 50bps two days after the Fed cut by the same amount in September, the Bank has since then, kept the Key Rate unchanged while the Fed cut by another 25bps in November and is expected to replicate move this in December. This effectively decreases the interest rate differential between Mauritius and the US, in line with most economists' recommendations as well as international agencies. In all case, all market participants alike are eagerly waiting for the Bank's new roadmap.

The expectations that the Bank could become less dovish under the new administration has led to yields picking up: November started with the 20y auction, where 3.1bn were issued versus 2.1bn, in a relatively wide range of 5.05% - 5.35%, and where at least 3 Primary dealers were allocated. The next 5yr auction came at a weighted average yield of 4.35%, 30bps above the same paper issued 3 weeks earlier, and the 3yr paper came at a weighted average yield of 4.23% in the range of 4.18% - 4.25%, coinciding with the 5yr's range of 4.18% - 4.43% from a week earlier. Furthermore, the 7yr paper issued this week came at a weighted average yield of 4.95%. This trend of rising yields was however more visible on the Treasury bills auctions where the 12M paper climbed from 3.16% as at end-October to reach a 7-month high of 3.90% as at this week.

On the secondary market, trades were more or less balanced between participants with banks, Pension funds and Insurance companies representing around 42%, 25% and 15% respectively of the volume traded during November. However, with the spectre of yields rising another notch, some investors are in a wait-and-see mode aiming to capture yields at their peak. December sees a 3yr and a 15yr auction, which should cement the shape of the yield curve to close the year. With Primary Dealers still having some duration in their trading books (for example, less than MUR 1bn of the 20yr were traded versus MUR 3.1bn issued) will these auctions lead the yield curve to fully reverse the move caused by the Key Rate cut in September?



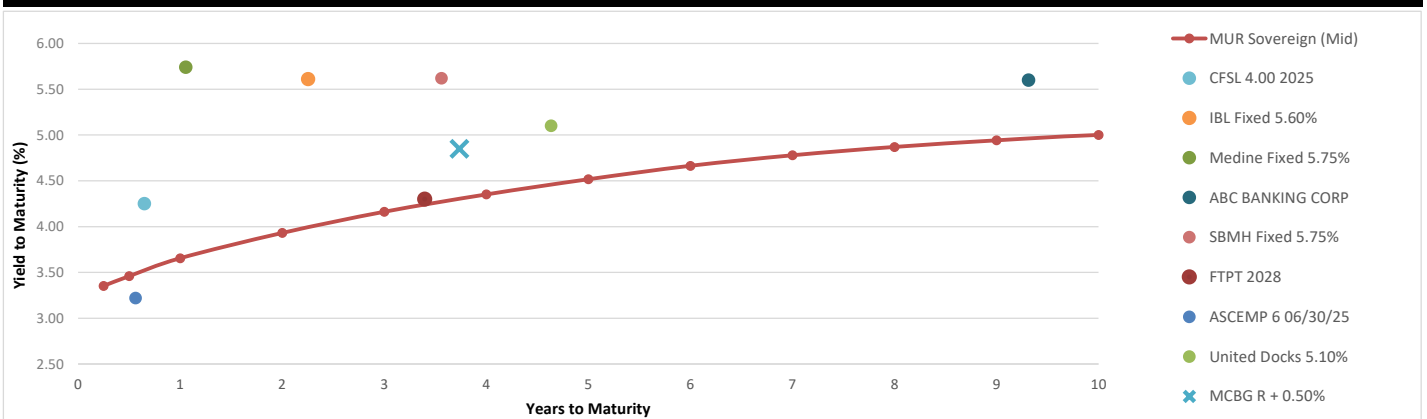
Comparison of latest MUR Bid Government Yield Curve as per BVAL calculation methodology compared to end-2023 and 1 month ago; Source: Bloomberg

MUR Government Securities - Primary Issuance

Tenor	Weighted acc. yield	Amount issued ('mn)	Auction Date
7 days	4.00%	1,000	06-Dec-24
91 days	3.37%	1,000	28-Nov-24
182 days	3.69%	1,500	05-Dec-24
364 days	3.90%	2,000	05-Dec-24
3 years	4.23%	2,900	20-Nov-24
7 years	4.95%	2,500	04-Dec-24
10 years	5.08%	2,100	19-Sep-24
15 years	5.38%	4,600	23-Jul-24
20 years	5.27%	3,100	06-Nov-24

Economic Data		Last update
Overnight Deposit Facility	Rs 23.4 bn	06-Dec-24
Key Rate	4.00%	20-Sep-24
Year-on-year inflation	3.70%	November 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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