

# Local Fixed Income Update

7<sup>th</sup> February 2025

## MUR Sovereign Debt Market

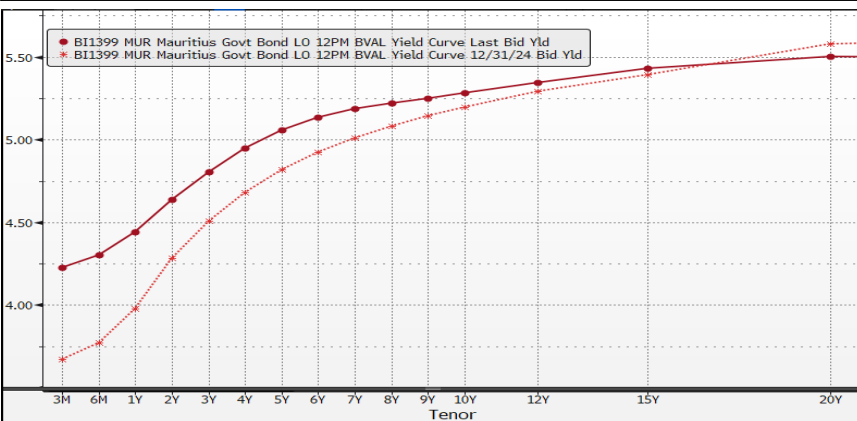
Maturity Range	3M	6M	12M	3Y	5Y	10Y	20Y
Years to maturity	0.25	0.50	1	3	5	10	20
Bank Buy Yield	4.45	4.60	4.90	5.00	5.10	5.25	5.55
Bank Sell Yield	4.30	4.45	4.75	4.80	4.85	5.00	5.30

*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 MPC meeting of the year was held on the 4<sup>th</sup> February where the members voted unanimously to raise the Key Rate from 4.00% to 4.50%. The reasons put forward for this U-turn from the previous committee's Key Rate cut was the pro-activeness to properly anchor inflation expectations by "containing excess liquidity, reversing negative interest rate differentials with major foreign currencies and addressing exchange rate pressures" while providing comfort that debt serviceability should remain sound. This hike is also viewed by the financial community as an act of good faith in the wake of the recent action by Moody's to maintain the country's rating at Baa3 but downgrading the outlook from stable to negative.

As stated in the MPC meeting, the Bank has conducted open market operations by issuing 2yr notes and larger than usual sizes for BOM bills, to remove excess liquidity which, if left unattended, could limit the transmission of monetary policy. As such, this has increased the weighted yield for overnight interbank lending from 2.60% to 3.25% as spare cash was reduced in the banking system, coupled with the Key Rate hike. However, the impact was more substantial on the yield curve. 2yr BOM notes, which banks have no obligation to allocate to their trading books, have climbed to a weighted average of 4.49%, with no bids accepted at the latest auction held on the 31<sup>st</sup> January, and no further auction announced for this tenor. On the 5<sup>th</sup> February, no bids were accepted at the 7yr auction (we believe the full amount would have been allocated in the 5.60% - 5.75% range). Unwaveringly, bidders, some of which are probably not flush with excess cash anymore, remained consistent and continued to put upward pressure on yields – T-bills were therefore allocated up to 4.55%, 4.80% and 4.95% for the 3M, 6M and 12M respectively, and the 7yr was allocated in a single bid of MUR 2bn at 5.60% on the 7<sup>th</sup> February, up from 5.02% three weeks before. (\* latest 7yr auction not yet updated on the yield curve below)

Secondary market activity was quite balanced with Institutional investors buying MUR 1bn of 3yr around 4.45% and MUR 1bn of the 7yr around 4.95%. However, the most notable trades were between Primary Dealers last week with more an aggregate amount of around MUR 2bn exchanging hands on tenors between 10yr and 20yr, traded in a tight range of 5.10% to 5.30%. This duration-lightening of trading books has incentivised bidders to be more conservative and bid higher, especially in the wake of the Key Rate hike. We remain eager to see where the new 3yr and 10yr will be issued this month.



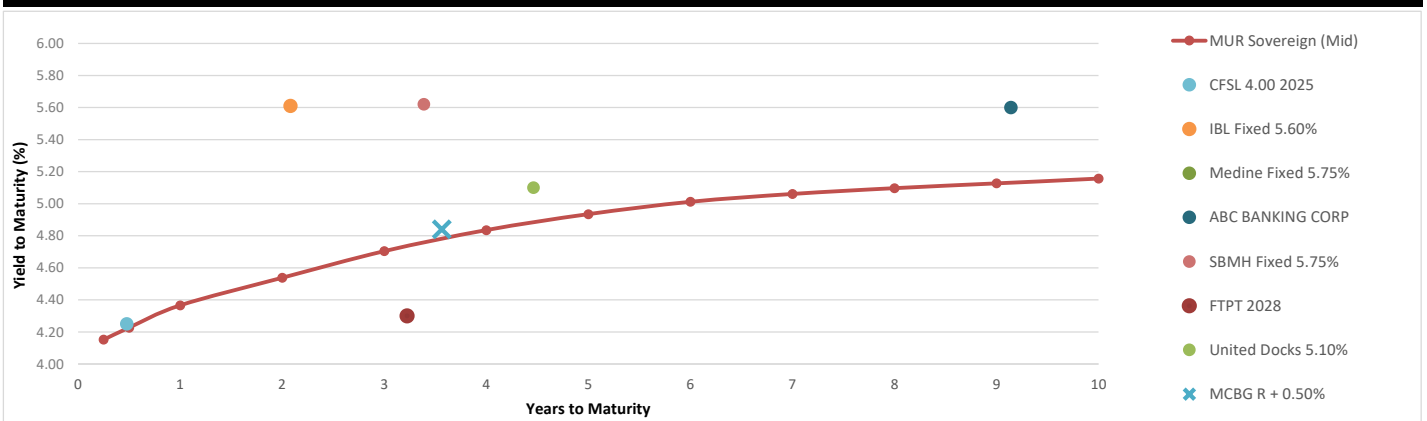
Comparison of end-2024 MUR Bid Government Yield Curve as per BVAL calculation methodology with 6th February 2025 ; Source: Bloomberg

## MUR Government Securities - Primary Issuance

Tenor	Weighted acc. yield	Amount issued ('mn)	Auction Date
7 days	4.50%	1,000	07-Feb-25
91 days	4.50%	1,500	06-Feb-25
182 days	4.70%	1,000	06-Feb-25
364 days	4.86%	1,200	06-Feb-25
3 years	4.58%	2,500	22-Jan-25
7 years	5.60%	2,000	07-Feb-25
10 years	5.08%	2,100	19-Sep-24
15 years	5.29%	2,100	11-Dec-24
20 years	5.27%	3,100	06-Nov-24

Economic Data	Last update
Overnight Deposit Facility	Rs 17.9 bn
Key Rate	4.50%
Year-on-year inflation	3.60%
	31-Jan-25
	05-February-25
	December 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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