

FOREIGN EXCHANGE MARKET

News

- > The US dollar traded sharply higher on Tuesday against all of the major currencies as the release of robust US inflation data increased speculation that the Federal Reserve may act sooner to tighten its monetary policy.
- > The CPI was upwardly revised in June to 5.4 percent YoY, much higher than the expected 4.9 percent. Focus now shifts to US Federal Reserve chief Jerome Powell testimony before Congress.
- > EUR/USD dropped to 1.1772, the lowest since April 5, on broad-based USD rebound. Germany also published its June inflation figures, with the annual CPI confirmed at 2.3 percent, failing to influence prices. The EU will today publish May industrial production figures.
- > GBP/USD fell to around 1.3800 as the dollar benefited from unexpectedly higher US inflation. The BoE released its semi-annual financial stability report, which showed that policymakers expect to maintain the rates at record lows at least until December 2021 while the UK will publish June inflation data later today.
- > USD/JPY rallied to 110.64 as US Treasury yields were firmly up after the release of US inflation data.
- > NZD/USD jumped above the 0.7000 after the Reserve Bank of New Zealand left the official cash rate unchanged at 0.25 percent, as expected while stating that it would halt its large-scale asset-purchase programme.
- > The Canadian dollar weakened to 1.2525 against its stronger US counterpart while Bank of Canada is due to update its economic forecasts at a policy announcement later this Wednesday, with further tapering of asset purchases expected.
- > South African rand tumbled to a three-month low trading around 14.75 per dollar due to escalating violence over the jailing of former President Jacob Zuma.
- > The USD/MUR inches higher to trade at MUR 43.00/USD, with the single currency trading below the 1.1800 handle this morning. The market is expected to remain very tight with limited supply expected this week.

Daily Technical View

The euro tumbled to a three-month low against the dollar as US CPI posted a surprisingly high print. The pair dropped from a high of 1.1875 to trade around 1.1770/80 lows this morning. A clear break below would put further pressure on the pair and could see a potential drop towards 1.1720/35. To the upside, recent rallies have been short-lived and any intraday move towards 1.1830/40 resistance level should be sold into.

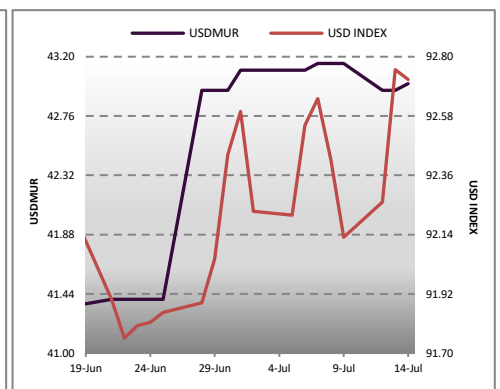
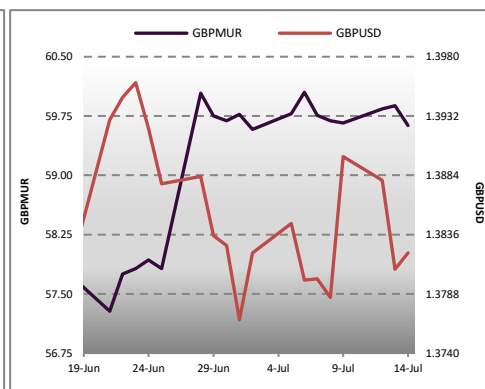
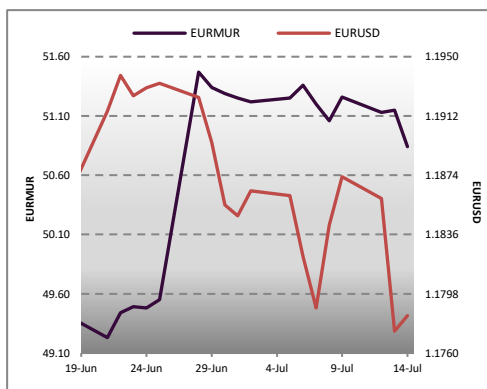
Market Highlights

Indicative Spot Rates

	Bid		Offer	
	Today	Change (Rs.)	Today	Change (Rs.)
AUDMUR	31.25	(0.10)	32.50	(0.10)
CNYMUR	6.49	-	6.82	-
EURMUR	49.36	(0.30)	50.84	(0.31)
JPYMUR	37.72	-	39.23	-
ZARMUR	2.81	(0.06)	2.99	(0.07)
USDMUR	42.10	0.05	43.00	0.05
GBPMUR	57.89	(0.25)	59.63	(0.25)

Indicative Forward Rates

	Bid			Offer		
	1m	3m	6m	1m	3m	6m
AUDMUR	31.24	31.23	31.20	32.53	32.61	32.71
EURMUR	49.35	49.34	49.31	50.90	51.05	51.31
ZARMUR	2.79	2.76	2.70	2.99	2.98	2.98
USDMUR	42.08	42.03	41.95	43.03	43.10	43.24
GBPMUR	57.88	57.87	57.80	59.67	59.79	60.00



Previous Day Trading Levels

	Previous Day Trading Levels			Today
	Opening	High	Low	Latest
AUDUSD	0.7448	0.7466	0.7437	0.7461
EURUSD	1.1774	1.1788	1.1773	1.1789
GBPUSD	1.3812	1.3826	1.3802	1.3827
USDJPY	110.62	110.69	110.45	110.52
USDCHF	0.9184	0.9192	0.9181	0.9183
USDCNH	6.48	6.48	6.48	6.48

Major Indices

	Value at Close	Day Change %
DOW JONES	34,996.18	(0.31)
S&P 500	4,369.21	(0.35)
FTSE 100	7,124.72	(0.01)
DAX	15,789.64	(0.01)
CAC 40	6,558.47	(0.01)
NIKKEI 225	28,633.95	(0.29)
HANGSENG	27,808.49	(0.55)

Major Economic Releases (at GMT)

Date	Time	Country	Event	Period	Actual	Expected	Prior
13-Jul	06 00	DE	Harmonized Index of Consumer Prices	Jun	2.1%	2.1%	2.1%
13-Jul	12 30	US	CPI ex Food & Energy (YoY)	Jun	4.5%	4.0%	3.8%
14-Jul	02 00	NZ	RBNZ Interest Rate Decision	-	0.25%	0.25%	0.25%
14-Jul	06 00	UK	Consumer Price Index (YoY)	Jun	-	2.2%	2.1%

This commentary is for information only, and the comments and forecasts are intended to be of a general nature, and are current at the date of issue. This document is not intended as an offer, solicitation, or recommendation to buy or sell financial instruments or for any individual investment.

Source: MCB Treasury, Reuters, Bloomberg, Bank of Mauritius

FIXED INCOME

News

> US yields for government debt ticked higher yesterday afternoon, with yields levitating after holding lower for much of the session, following a report for June that showed that consumer prices rose at the largest annual rate since 2008. The rise in inflation highlights supply-chain bottlenecks and spiking demand in the economic recovery phase from COVID-19.

> The rise in yields was partly attributed to a lacklustre bond auction. A USD 24 billion sale of 30-year paper was awarded at 2 percent, above the 1.976 percent when-issued yield, and had a bid-cover ratio described as the weakest since February. Treasury auctions can influence trading of outstanding government debt.

> The 10-year US Treasury note yield firmed to 1.415 percent, while the 30-year Treasury bond rate stood at 2.037 percent, compared with 1.993 percent a day ago. The 2-year Treasury note yield strengthened to 0.255 percent.

Market Highlights

Local Secondary Market T-Bills

	Bid (%)	Offer (%)
1M	0.50	0.35
2M	0.60	0.45
3M	0.70	0.55
4M	0.80	0.65
6M	0.90	0.75
8M	0.95	0.80
10M	1.00	0.85
1Y	1.05	0.90

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Local Secondary Market T-Bonds

	Bid (%)	Offer (%)
2 year	1.75	1.55
3 year	2.40	1.20
4 Year	2.70	2.50
5 Year	3.05	2.80
10 Year	4.25	4.00
15 year	4.60	4.35
20 Year	4.90	4.65

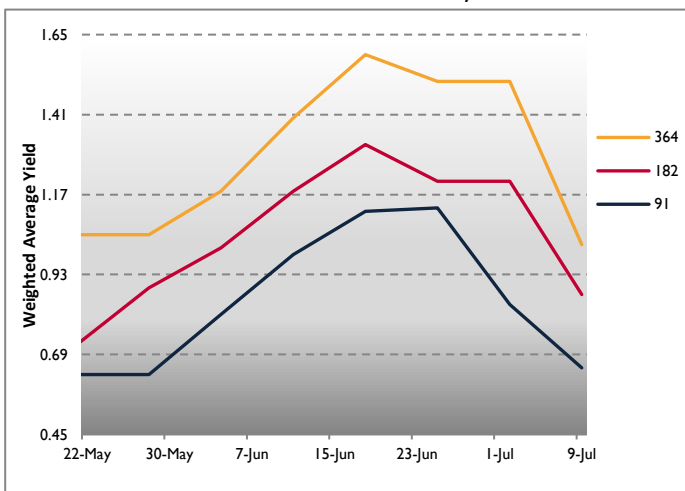
Key Central Bank Rates

	Current Level (%)	Previous (%)
BOM Repo Rate	1.85	1.85
Fed Funds Rate	0.00 - 0.25	0.00 - 0.25
BoE Bank Rate	0.10	0.10
ECB Ref. Rate	0.00	0.00
RBA Cash Rate	0.10	0.10

Government Benchmark Yields (%)

	2 Year	5 Year
US Bonds	0.2548	0.835
UK Bonds	0.086	0.299
German Bonds	-0.658	-0.603

Auction Results of Treasury Bills



Money Market Rates

LIBOR* (%)	1 Week	1 Month	3 Months	6 Months
EUR	-0.581	-0.574	-0.555	-0.527
USD	0.088	0.096	0.133	0.154
GBP	0.041	0.051	0.077	0.104
EURIBOR	-0.571	-0.549	-0.543	-0.511

* LIBOR rates delayed by 48 hours. Source: ICE

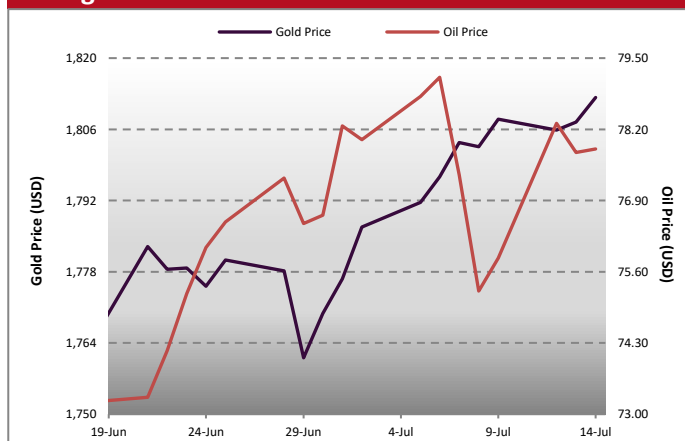
Indicative Generic Swap Rates* (%)

Tenor	2yr	5yr	7yr	10yr
EURIBOR - 3m	-0.472	-0.319	-0.184	0.021
USD LIBOR - 3m	0.342	0.925	1.165	1.398

* Pay fixed and receive floating swap

COMMODITIES

Rolling Gold & Oil Prices



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Source: MCB Treasury, Reuters, Bloomberg, Bank of Mauritius

News

> Strong inflation-led gains in the dollar dragged down gold prices on Tuesday but later the bullion returned to the familiar range seen before the data release around USD 1,810 an ounce. Traders refrained from placing any fresh bet on gold price ahead of Fed Chair Jerome Powell's testimony before Congress.

> Oil prices edged higher on Tuesday, as tight supply and expectations of a further draw in US and global crude inventories provided support.

> The International Energy Agency (IEA) is warning that if the OPEC+ deadlock persists and production limits remain at July levels, the oil market is going to tighten dramatically with the risk of significant price increases.

Spot Market

	Today	Change (\$)
Brent Crude Oil (\$)	77.85	0.07
Gold (\$)	1,812.96	5.52