

AUCTION

Auction results show yields on the short term treasury bills declined to 5.85 per cent

T-bills oversubscribed despite of reduced yields

The government accepted only 28 bids worth Sh84.7 billion despite trading session being oversubscribed in a situation experts say happens when investors and the government did not meet at a competitive price level for the particular bill

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Dar es Salaam. Investors participated actively in the government's short term debt instruments floated by the central bank despite of the low yields. On a weekly auction Treasury bills attracted bids with Sh38.98 billion over subscription.

Bank of Tanzania (BoT) received 80 bids worth Sh146.18 billion against Sh107.2 billion offered.

The auction results issued by the central bank on Wednesday indicated that yields on the short-

term treasury bills declined to 5.84 percent compared to the last auction, and 2.8 percent for the 35-day maturity and the 364-day maturity respectively. However, 91-day maturity interest rates remained at 3.5 percent.

Interest rates for the 35-day maturity and the 364-day maturity for the previous auction conducted in January 22, this year were 3 percent and 5.91 percent respectively.

At the end of the auction the government only accepted 28 bids worth Sh82.7 billion despite the trading session oversubscribed, mainly because the central bank

did not accept the two bids from the 182-day bills worth Sh3 billion.

The director of Arch Financial and Investment Advisory Limited, Mr Mazengo Kasilati, told *The Citizen* the situation happens when investors and the government did not meet at a competitive price level for the particular bills.

"So, the 182-days paper bid was not successful because central banks wants to reduce the costs

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80

incurred from the floated bills," he said. The highest price in six months maturity was 97.83/100 while the lowest bid was at 97.81/100.

On the other hand the government in its 364-days borrowing intended to raise only Sh101.5 billion but investors responded by tendering 76 bids worth Sh145.1 billion. The central bank only accepted 26 bids worth Sh82 billion.

For the 35-days paper the government wanted to borrow Sh1 billion the market responded by tendering as much as Sh750 million.

The government usually offer the 364-day and the 182-day to raise fund in order to close the budget deficit gap. And the 91-day and 35-day's paper are used to mop up liquidity in the circulation.