

# Oversubscription awaits 15-year bond

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THE 15-year Treasury bond is expected to be oversubscribed today, but debt analysts remain wary as yields are getting lower to the resistance level.

The analysts, however, cautioned that the yield level may derail the oversubscription level if it continues to decline.

The central bank, today at the auction, wants to raise 122bn/- at a fixed rate of 13.50 per cent per year.

Tanzania Securities said the bond yield curve is expected to continue to remain normal, with downward movements in the weighted average yields.

"We may see oversubscription of the Treasury bond," Tanzania Securities said in its weekly market blast yesterday adding:

"...But we remain wary as yields are getting lower to the resistance level, this is going to affect the subscription level if the yields will continue to decline."

On a quarterly basis in three months to June, all bonds, with an exception of a 2-year auction that was cancelled, 10-year and 15-year and 20-year yields rate fell between 0.20 per cent and over 1.50 per cent.

The yields down spiral movements followed a significant auction oversubscription, meaning falling rates across all papers since the beginning of the year.

Zan Securities Chief Executive Officer, Raphael Masumbuko also predicted

that the yields rates will continue with a down-spiral movement during today's auction.

"We expect yields to continue to decrease in the next week's auction for the 15-year Treasury bond," Mr Masumbuko said in the Weekly Market Blast report.

Furthermore, the brokerage firm said the government securities' yield curve would continue remaining normal, with the downward trend in weighted average yields.

In this year's quarter two,

597.2bn/- was auctioned in 5, 10, 15 and 20 years Treasury bonds. Auctions received bids worth 1.149tri/- while only 6.86bn/- were successful.

"In line with our expectations, market liquidity remained stable, with investor's participation in auctions marking a 92-per cent oversubscription," NMB Bank quarterly market digest showed.

Meanwhile, investors' appetite on Treasury bills waned as seen in recent auctions which experience under sub-

scription.

The Bank of Tanzania offered the usual total of 90.23bn/- while the public's total tender size amounted to 64.47bn/- from 40 bids, all targeting the 364days tenor.

"The other three tenors received zero bids", Orbit Securities said in its weekly market Synopsis, "as a result, the weighted average yield to maturity of the 364days tenor was maintained at 3.97per cent, similar to the previous auction."