

## T/BILLS RATE DROPS

Investors in the Treasury bills slowed their profitability this week after the rate of returns slightly dropped following increased demand for the short-term government securities.

The weighted average yield for the 364-day maturity plunged to 5.91% during the latest auction conducted by the Bank of Tanzania from 6.0% in the previous sale.

That of the 182-maturity also decreased to 3.53% from 3.91% during the previous auction.

As the profitability of investors decreased, the trend also means that the cost of borrowing eased for the government.

The trend of the Treasury bills rates is also used as benchmark for the lending interest rates in the banking system.

The central bank offered Sh71 billion for the 364-day maturity of the Treasury bills while Sh3 billion was offered for the 182-day maturity. It also offered Sh1 billion and Sh1.7 billion for 35-day and 91-day maturities, respectively.

Only the two maturities received bids, including Sh3 billion for the half-year bills and Sh237.72 billion for the year-long maturity.

The result summary indicates that the BOT rejected 54 bids worth Sh182 billion during the auction as investors failed to meet the minimum successful price despite the 234 percent oversubscription recorded on the one-year bills.

The central bank accepted only 37 bids valued Sh55.7 billion for the 364-day maturity and all Sh3 billion for the 182-day maturity, meaning that the remaining tendered amount were to be returned to the investors.

**Oversubscription:** shows that there is adequate liquidity in the market.

“The liquidity can also be directed to the long-term securities such as the Treasury bonds which offer higher returns than the T-bills”.

T/bills Auction as at 26<sup>th</sup> May, 2021

S/N	Tenure	Yield (%)	Yield Change (%)	% under(+)/over(-) Subscription
1	35 Days	0.00%	0.00%	0.00%
2	91 Days	0.00%	0.00%	0.00%
3	182 Days	3.53%	-9.72%	0.00%
4	364 Days	5.91%	-1.50%	-42.50%

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