

AWARENESS PUSHES APPETITE FOR T/BOND OF 20YRS



Investors in the Treasury bonds have heavily oversubscribed long-term security by whooping over 198% which remains positive.

The auction, which was conducted first in the fiscal year, BOT wanted to raise Shs.139.5Billion but the investors oversubscribed by 3 times to Shs.416.2Billion.

The strong demand has pushed the minimum successful price for the assets by 0.07% to 100.01% from 99.93% which was the successful price for the bonds in the previous auction, according to Central Bank auction results.

In the auction investors responded with 686 bids valued at Sh416.2 billion. At the end of the auction the bank accepted only 380 bids valued at Sh257.12 billion. The unsuccessful bids were rejected for being below the accepted minimum price set by the central bank.

In the last 3 years, 20 years treasury bond has been increasing from Shs.87.94 to Shs.100.41. There are 2 major factors that makes the treasury bonds attractive to the investors, Inflation rate which 3.3% and stable exchange rate.

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

The government raises funds through the 20 years Treasury bonds and other debt instruments to fund the long-term projects that will start generating income before the instrument matures.



By: Chacha J Iswante

Financial Analyst