

T.Bill Auction Result

T-Bills worth PKR 283bn sold, 12M paper yields down by 59bps

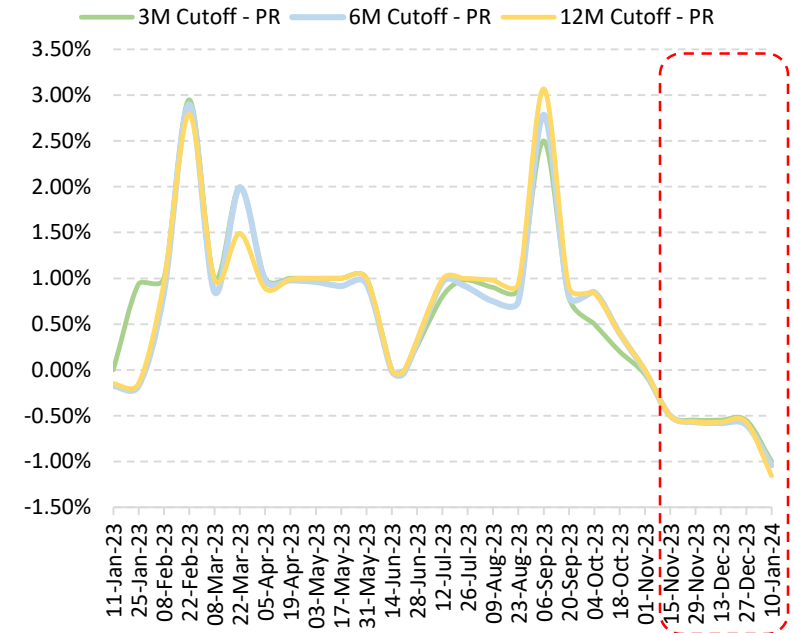
T- Bill Auction: Yields decrease by 44-59bps

In yesterday's Market Treasury Bills (T-Bill) Auction, the cut-off yields of 3M, 6M, and 12M tenors came down by **45bps**, **44bps**, and **59bps**, respectively. The market had offered PKR 2,755bn against the target of PKR 100bn, out of which Gov't accepted **PKR 283bn** culminating in a realized value of PKR **239bn**. As a result, the bid-cover ratio clocked in at 9.73x. The highest concentration of participation was seen in the 12M with PKR 2,110bn followed by 3M and 6M with PKR 568bn and PKR 77bn, respectively.

Analyst Comment

- Investors anticipate a peak interest rate of 22% and foresee a subsequent decline.
- We witnessed aggressive investor participation in the 12M T-bill auction to secure higher yields in anticipation of a rate cut in Mar'24.
- Banks with considerably higher liquidity positions are actively seeking safe investment opportunities, resulting in significant participation.
- To note, historically, T-bill cut-offs have typically maintained an average spread of 52-58bps higher than the Policy rate, considering a historical average spanning 05 years.
- However, since Nov'23 T-bill auction marks a deviation from historical trends, as negative spreads were observed.
- Cut-off rates in the recent auction are 100-116 bps lower than the prevailing policy rate of 22.00%, highlighting a shift.

Exhibit: Cutoff spread



Source (s): SBP, AHL Research

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11-Jan-2024

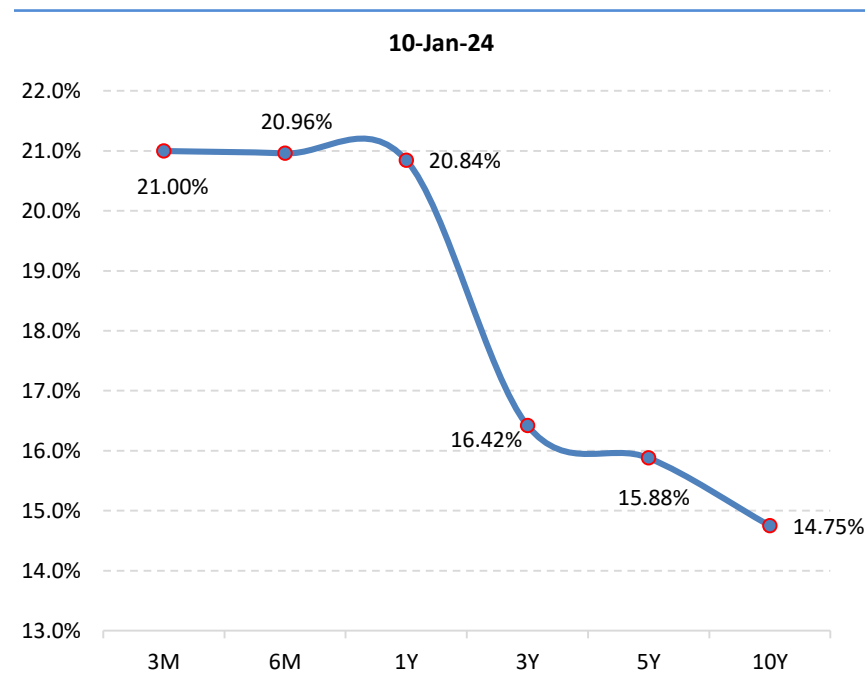
Exhibit: T.Bill Auction Result (10-Jan-2024)

Cut-Off Yield	10-Jan-24	27-Dec-23	Change bps
03-Month T.Bill	21.00%	21.45%	(45)
06-Month T.Bill	20.96%	21.40%	(44)
12-Month T.Bill	20.84%	21.43%	(59)

Other Details of Current Auction

PKR bn	Target	Accepted*		Total
		Competitive Bids	Non-Competitive Bids	
03-Month T.Bill	25.0	5.71	20.37	26.08
06-Month T.Bill	25.0	0.01	11.25	11.26
12-Month T.Bill	50.0	211.08	34.81	245.89
Total	100.0	216.80	66.44	283.24

Source (s): SBP, AHL Research, *Face Value

Exhibit: Yield Curve (On PKRV based except 3M, 6M, and 12M)


Source (s): SBP, AHL Research

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