

The Newspaper's Staff Reporter

Govt raises Rs1.257tr through T-bills

KARACHI: The government was unable to raise the desired amount from the market in its Treasury bill auction held on Wednesday as the banks invested mostly in the three-month instruments indicating further uncertainty over future trend of interest rates.

The auction attracted bids worth Rs1.452 trillion against which the State Bank of Pakistan (SBP) accepted Rs1.257tr. The total bids made by the participants were much lower than the Rs2tr target.

While the target was high, the maturing amount was even higher. The SBP's calendar for T-bill auction showed the maturing amount was Rs3.230tr. The government so far relies almost entirely on banks for its borrowing needs after the SBP stopped supply of credit to the government.

The government accepted bids worth Rs1.157tr against three-month T-bills reflecting investors' appetite for short-term risk. However, the six- and 12-month instruments failed to attract investors' attention as financial circles believe the interest rates are likely to increase in the upcoming monetary policy announcement on the back of rising inflation.

The cut-off yield for three-month papers was 13.74 per cent; unchanged since the last auction held on July 31.

The government raised Rs4.9 billion and Rs94.4bn in the six- and 12-month papers with the cut-off yield of 13.95pc and 14.24pc respectively.

Despite high cut-off yields for all three (three-, six- and 12-month) tenor since the previous auction, the government has failed to achieve targets in the last two auctions. In the last auction, the government borrowed Rs886.8bn against the target of Rs1.5tr.

The bid pattern in the Wednesday's auction showed that investors offered Rs1.23tr for three-month T-bills showing that investors were unwilling to commit in to long-term instruments.

Banks offered Rs35.6bn for six-month and Rs186.2bn for 12-month instruments. The government raised substantial amount of Rs94.4bn for 12 months but the cut-off yield was significantly high at 14.24pc.