



Market Brief: April 2020

In line with issuer expectations, strong, long-tenor demand persisted across investor profiles during the first quarter. In the same vein, the general public remained uninterested in Treasury Bills, despite more aggressive marketing towards that segment, while institutional interest remained reasonably consistent with expectations. This was echoed in the one-year space, with institutional demand accounting for more than 95 percent of subscriptions.

Moreover, during the first quarter, the IPO benchmark curve recovered from the modest flattening observed at the end of 2019. Coupons on securities in the 3- to 5-year space fell by 5.5 basis points, on average, while those in the 7- to 10-year segment fell by 9.5 basis points. More aggressive steepening potential was tempered by the lack of variation and convergence at the 30-year point (Figure 2).



Treasury Bills 91-Day Treasury Bill Yield



Figure 1

Treasury Notes & Bonds BRS Coupons

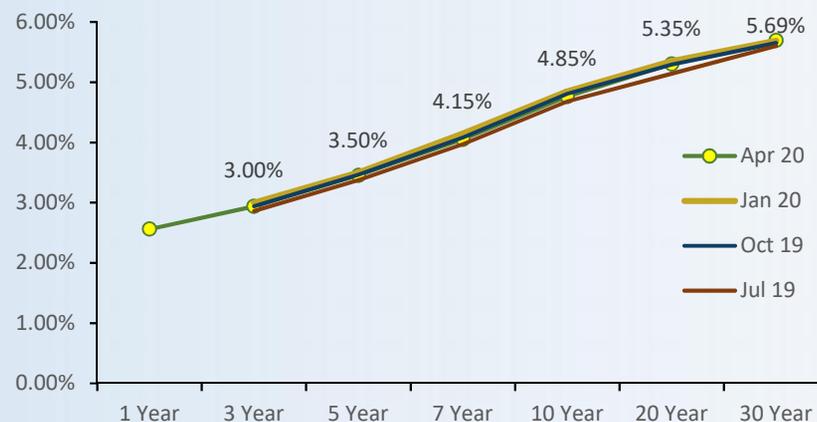


Figure 2

Short-, Intermediate-, and Long-Term Market Outcomes

For the first time since the fourth quarter of 2018, the 91-day Treasury Bill yield declined quarter-over-quarter, reflecting low investor demand on the short end. As shown in Figure 1, the Treasury Bill yield downticked, marginally, from 1.7168 percent to 1.7024 percent between January and April 2020.

Conversely, during the quarter, Treasury bond demand remained concentrated at the longer, higher-yielding end of the curve, particularly for the 20- and 30-year tenors. Over the past 12 months, market absorption rates for these tenors averaged 86 percent and 100 percent, respectively. Securities at the 7-year mark experienced the opposite response, however, with an average absorption rate of 45 percent due to persistent undersubscriptions.

Overall, institutional investors continue to comprise 60 to 65 percent of the market.

Security	Issue Size (Mill)	Subscriptions (Mill)	Absorption (Mill)	Absorption Rate
February Secondary Market Offering				
BGRS85031	6.40	1.50	1.50	23.96%
BGRS99033	9.80	2.50	2.50	25.01%
March Initial Public Offering				
BGR135021	75.0	51.4	51.4	68.57%
BGR134130	1.50	2.40	1.50	100.00%
BGR134140	13.5	27.8	13.5	100.00%
BGR134150	15.0	24.6	15.0	100.00%
April Benchmark Initial Public Offering				
BGR136023	0.50	0.58	0.50	100.00%
BGR136025	0.25	0.71	0.25	100.00%
BGR136027	0.25	0.05	0.05	20.00%
BGR136030	2.00	0.16	0.17	8.50%
BGR136040	12.0	8.20	11.57	96.40%
BGR136050	15.0	18.5	15.0	100.00%