



Government Securities

Market Brief: Q3 2021

Overall demand for Government paper remained steady in Q3 with a modest 1.62 percent decrease in nominal participation. Participation in both key segments, T-bills and BRS, dropped slightly by 1.36 percent and 5.27 percent, respectively, as the market demonstrated its unwillingness to absorb a net supply-side uptick of 8.18 percent.

The 91-day T-bill take-up decreased by 8.25 percent, as market interest in the 182-day T-bill grew by 67.88 percent—continuing a trend started in Q2. Market yields for both tenors continued their upward trajectories in Q3, with the 91- and 182-day yields gaining 16.9 and 12.8 basis points, respectively, over the quarter.

Moving to the BRS tenors, despite a 5 basis point coupon increase, nominal take-up of the 3Y bond decreased by 64.24 percent. The 5Y bond take-up decreased to a greater extent, 76.25 percent, demonstrating continued tapering from its peak in Q1 2021. Historically the least active tenor, the 7Y bond take-up surpassed its 5Y counterpart, due to a 60.11 percent increase in nominal demand during Q3. The 10Y bond take-up increased by a modest 7.41 percent, while 20Y bond demand decreased by 51.88 percent.

Figure 1 below illustrates the progression in T-bill yields since June 2018. Figure 2 depicts the steady shifts in benchmark coupons across all tenors since Q3 2019.



Treasury Bills

Treasury Bill Yield



Figure 1.

Government Bonds

BRS Yield Curve



Figure 2.

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

During Q3, the market affirmed its comfort with existing levels of Government paper absorption, only marginally shifting tenor preferences within key categories—T-Bills and BRS. Incidentally, the 5 basis point increase in the 5Y bond coupon appears to have been overshadowed by the corresponding basis point increase for its 30Y counterpart.

Month	Issue	Type	Issue Size (\$Mill)	Subscriptions (\$Mill)	Absorption Rate (percent)
July 2021	BGR145-2	Reopening	52.30	18.09	34.59%
August 2021	BGR146-0	IPO	30.00	14.01	46.69%
September 2021	BGR146-1	Reopening	40.00	16.69	41.72%

Increased appetite for the 182-day T-bill suggests a self-correcting posture; seeking to resolve the more recent ambivalence demonstrated for the 182-day bill—a benefit of the grow/shrink option embedded in today's auctions.

The 30Y bond, which entered the quarter with a 47.66 percent share of overall BRS take-up, increased that share by 20.86 percent, as the market responded positively to the 5 basis point increase applied to this tenor by shifting interest to this point on the curve.

The outcomes for Q4 will largely depend on the market's appetite for Government paper, particularly in light of recent political and credit rating shifts and the evolving impact of the COVID-19 pandemic on the domestic and global economies.