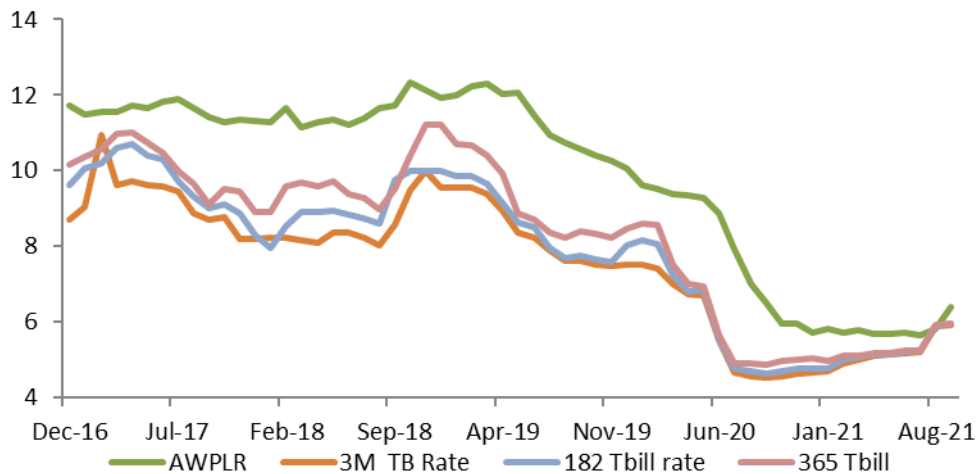




CBSL removes the maximum acceptable rates for T Bills

Interest rates to move up, however real interest rates to remain low



- CBSL removed the maximum acceptable rate (364 Days T-Bills) at the T-bill auction, after 01 year as CBSL was not successful in attracting bids for the auction due to this restriction.
- The possible subscription of t bills going forward with this removal, would likely restrict the excessive money printing in our view which otherwise contributed largely towards growing inflation, forex depletion and reserve losses.
- The interest rates of the country is likely to pick up as it was visible when looking at the AWPLR which already increased by 60-74bps to 6.4% since the tightening of monetary policy in August 2021.
- The real interest rates however could remain less attractive in our view despite rising interest rates with likely increase in inflation (due to demand and possible supply shortages) offsetting the real returns. Equity markets should thus remain positive in our view with returns still remaining higher than the real interest rates.

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