

CBUAE sells AED 43bn of M-bills amid improving liquidity conditions

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- CBUAE sold AED 43bn of M-bills today; pricing suggests improving liquidity conditions.
- Excess liquidity in banking system increased following AED 100bn M-bill maturity on 1 June.
- Benchmark dirham interest rates also point to stable or improving liquidity conditions.

The Central Bank of the UAE auctioned AED 43bn of M-bills today (8 June), following a marked improvement in liquidity conditions in recent weeks.

The CBUAE sold bills in four tranches, with maturities ranging from 28 to 322 days. Yields on the auctioned securities were 20–27 basis points higher than comparable US dollar instruments.

CBUAEM-bill auction results

Tenor, days	Size, AED bn	Yield, %
322	23	4.13
154	5	4.02
70	6	3.90
28	9	3.82

Source: CBUAE, Emirates NBD Research

Spreads in the most recent M-bill sale were tighter than in the last sale on 11 May, when the central bank sold AED 12bn of bills. Yields on those securities were roughly 30–35bps above dollar benchmarks.

The narrowing in spreads reflects a loosening in liquidity conditions in recent weeks. Excess liquidity in the UAE banking system rose following the maturity of AED 100bn of M-bills on 1 June. Surplus liquidity peaked at AED 185bn on 2 June, its highest level since early February.

Even after the reduction in liquidity from today's M-bill auction, prevailing liquidity should remain well above its average over April–May.

Other benchmark rates indicate stable to easing financial conditions. DONIA, the benchmark overnight rate, reached a year-to-date low of 3.14% on 2 June, and its one-month average is at its lowest level of the year. The spread between three-month EIBOR and SOFR (the dollar benchmark rate) has been steady around 8bps for the past six weeks.

UAE excess liquidity, AED bn



Source: CBUAE, Emirates NBD Research

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