WEEKLY GOVERNMENT SECURITIES MARKET

First Capital

First Capital Research

April 20, 2022

For the week 12.04.2022-20.04.2022

"Short end of the yield curve further escalates"

Weekly Yield Movement & Volume

The secondary market yield curve mounted further on the short end while generating thin volumes and rates were not quoted for bonds maturing after 1Yr with persistent uncertainty.

At the beginning of the week, Government of Sri Lanka decided to resort to a pre-emptive negotiated default of the foreign debt pending a restructuring of the obligations following the commencement of discussion with the IMF. However, following the long holiday, investors continued to remain on the sidelines while activities were mostly centered on short end maturities.

Meanwhile at the bill auction, the total offered amount of LKR 97.5Bn was only partially accepted with 93.9% being accepted from 03M T-Bill. Moreover, weighted average yields of 03M, 06M and 01Y T-Bills were advanced to 23.21% (+350bps), 24.77% (+204bps) and 24.36% (+100bps), respectively. Post auction, in the secondary market, 03M bill traded at 21.0% while 01Yr bill at 23.0%.

In the Forex market, LKR slightly appreciated against the greenback with the rupee recording at LKR 310.0 towards the end of the week compared to LKR 313.7 at the beginning of the week.

Liquidity & CBSL Holdings

Market Liquidity remained negative and slightly deteriorated during the week. At the beginning, excess liquidity was recorded at LKR -600.5Bn and declined to LKR -622.3Bn by the end of the week. Meanwhile, CBSL holdings slightly declined during the week and recorded at LKR 1,852.8Bn compared to LKR 1,853.0Bn held at the beginning.

Foreign Interest

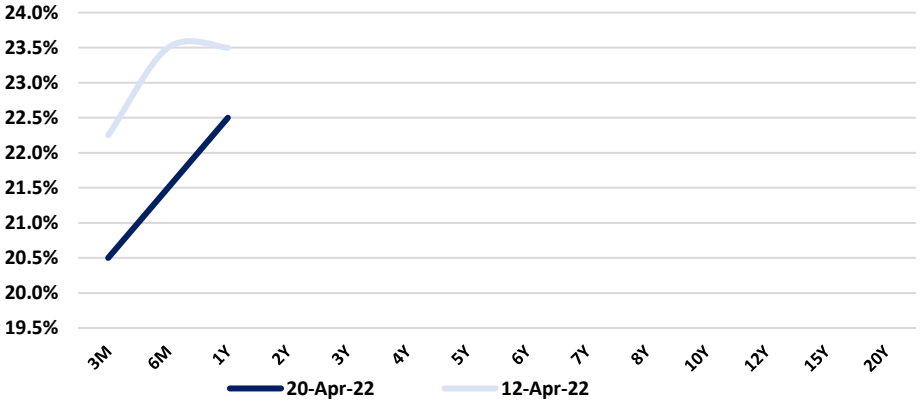
Foreign holding in government securities remained unchanged at LKR 2.7Bn whilst foreign holding percentage too remained unchanged at 0.02%.

Maturities for next week

The Government Securities market has to settle a Treasury bill maturity amounting to LKR 127.3Bn and a Treasury bond coupon amounting to LKR 21.7Bn for the week ending 29th Apr 2022.

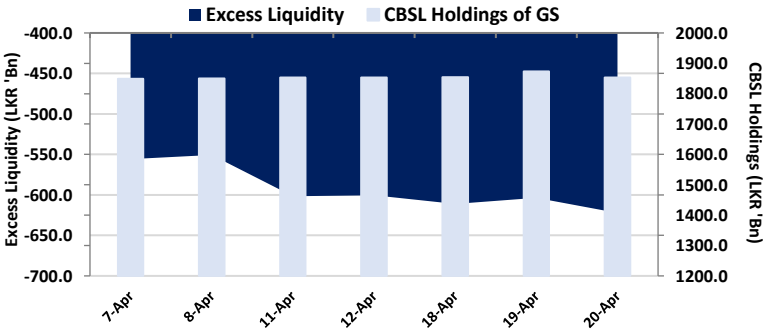
TENURE	BID	OFFER
< 91 Days < 3M	21.00%	20.00%
< 182 Days < 6M	22.00%	21.00%
< 364 Days < 1Y	23.00%	22.00%
15-Mar-24 < 2Y	N/A	N/A
15-Mar-25 < 3Y	N/A	N/A
01-Feb-26 < 4Y	N/A	N/A
15-Jan-27 < 5Y	N/A	N/A
15-Mar-28 < 6Y	N/A	N/A
01-Jan-29 < 7Y	N/A	N/A
15-May-30 < 8Y	N/A	N/A
01-Oct-32 < 10Y	N/A	N/A
01-Jan-34 < 12Y	N/A	N/A
15-Mar-35 < 15Y	N/A	N/A
01-Jan-41 < 20Y	N/A	N/A

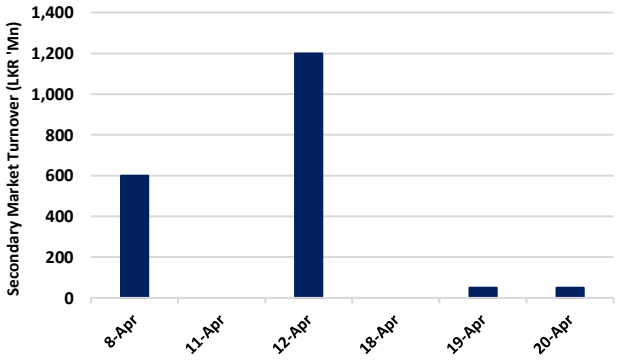
US TREASURIES	14-Apr-22	8-Apr-22
1 Year	1.84%	1.81%
2 Year	2.47%	2.53%
5 Year	2.79%	2.76%
10 Year	2.83%	2.72%
30 Year	2.92%	2.76%



MARKET INTEREST RATES	12-Apr-22	Last Month
AWPLR	11.06%	10.44%
	This Month	**Last Quarter**
FD Ceiling Rate(1Yr)	17.83%	10.11%

MONEY MARKET RATES	High	Low
Call Money	14.50%	14.50%
Repo Rates	14.50%	14.50%





Daily Summary

Tuesday (12.04.22): During the day, on the short end of the curve, 3M and 1Y yields were transacted at 22.10% and 23.00%, respectively. Meanwhile, the Government of Sri Lanka has decided to resort to a pre-emptive negotiated default of the foreign debt pending a restructuring of the obligations following the commencement of discussion with the IMF.

Monday (18.04.22): Following the long holiday, the secondary market participants continued to be on the sidelines. In the midst of thin trading, on the short end of the curve 3M maturity traded within a range of 20.00%-21.00%.

Tuesday (19.04.22): During the day, secondary market activities continued to remain at a standstill. Amidst thin trading 3M maturity traded at 20.5% while 6M and 1Y maturities traded at 24.0%. Meanwhile LKR 97.5Bn worth of T-Bills are to be issued by CBSL via the auction to be held on 20th Apr 2022.

Wednesday (20.04.22): During the day, primary market yields further elevated at the bill auction, while secondary market witnessed thin volumes in the midst of dried-up activities. Accordingly, the total offered T-Bill amount of LKR 97.5Bn was only partially accepted with 93.9% being accepted from 03M T-Bill. Moreover, weighted average yields of 03M, 06M and 01Y T-Bills were advanced to 23.21% (+350bps), 24.77% (+204bps) and 24.36% (+100bps), respectively. Post auction, in the secondary market, 03M bill traded at 21.0% while 01Yr bill at 23.0%.

OUTSTANDING STOCK	11-Apr-22	Previous Week	Change (%)
T-Bills [LKR 'Mn]	2,875,371	2,870,387	0.2%
T-Bonds [LKR 'Mn]	7,771,562	7,771,562	0.0%
TOTAL	**10,646,933**	**10,641,948**	**0.0%**
T-Bills & T-Bonds held by Foreigners			
Foreign Holding [LKR 'Mn]	2,659	2,659	0.0%
Foreign Holding (%)	0.02%	0.02%	

MATURITY TABLE FOR NEXT WEEK		WEEK ENDING	29-Apr-22
Type	**LKR ('Mn)**	**USD ('Mn)**	
T-Bills	127,274		
T-Bonds			
T-Bond Interest	21,711		
SLDBs/Sovereign Bonds			0
TOTAL	**148,985**		**0**

T-BILL AUCTION						Week Ending	22-Apr-22
Tenure	**Current**	**Previous**	**Change**	**Offered**	**Bids**	**Accepted**	
	20-Apr-22	**11-Apr-22**	**(bps)**	**LKR ('Mn)**	**LKR ('Mn)**	**LKR ('Mn)**	
91 days	23.21%	19.71%	350	47,500	101,552	45,150	
182 Days	24.77%	22.73%	204	27,500	28,792	917	
364 Days	24.36%	23.36%	100	22,500	31,776	1,999	
Date of Settlement			**22-Apr-22**	**97,500**	**162,120**	**48,066**	

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