



First Capital

WEEKLY GOVERNMENT SECURITIES MARKET

First Capital Research

May 25, 2022

For the week 19.05.2022-25.05.2022

"Auction yields trimmed down across the board"

Weekly Yield Movement & Volume

In the midst of unchanged policy rates, the secondary market yield curve slightly edged down and witnessed an inverted curve mainly centred on the mid tenors while displaying limited activities.

In the beginning, the market witnessed slight buying interest towards 2025 and 2027 maturities which traded within a range of 22.00%-23.75% and 21.75%-22.00%, respectively. Afterwards, the secondary market witnessed an overall dull sentiment as majority of the market participants opted be on the sidelines amidst growing uncertainties.

Meanwhile at the bill auction, the total offered amount of LKR 90.0Bn was fully accepted with 66.80% of the amount being accepted from 03M T-Bill. Moreover, yields of 03M, 06M and 01 Year T-Bills declined to 23.65% (-42bps), 24.22% (-47bps) and 24.30% (-20bps), respectively.

In the Forex market, LKR appreciated marginally against the greenback with the rupee recording at LKR 359.4 towards the end of the week compared to LKR 359.6 at the beginning of the week.

Liquidity & CBSL Holdings

Market Liquidity remained negative although it slightly improved during the week. At the beginning, excess liquidity was recorded at LKR -609.6Bn and improved to LKR -524.0Bn by the end of the week. Meanwhile, CBSL holdings also increased to LKR 1,974.1Bn compared to LKR 1,888.8Bn held at the beginning.

Foreign Interest

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

Maturities for next week

The Government Securities market has to settle a Treasury bill maturity amounting to LKR 66.9Bn and a Treasury bond interest amounting to LKR 23.1Bn for the week ending 3rd Jun 2022.

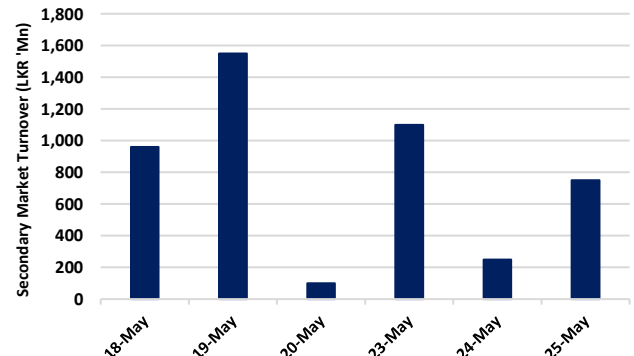
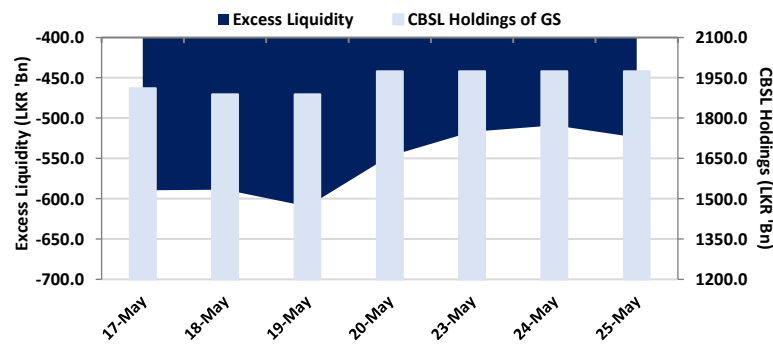
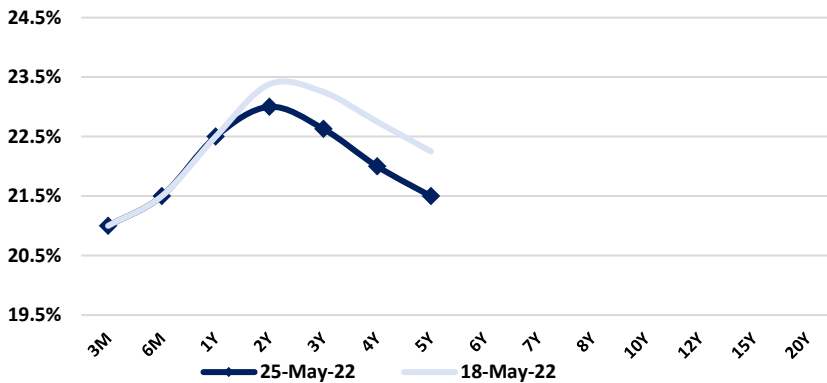
TENURE	BID	OFFER
< 91 Days < 3M	21.50%	20.50%
< 182 Days < 6M	22.00%	21.00%
< 364 Days < 1Y	23.00%	22.00%
15-Mar-24 < 2Y	23.25%	22.75%
01-Jun-25 < 3Y	22.75%	22.50%
01-Feb-26 < 4Y	22.25%	21.75%
01-May-27 < 5Y	21.75%	21.25%
15-Mar-28 < 6Y	N/A	N/A
01-Jan-29 < 7Y	N/A	N/A
15-May-30 < 8Y	N/A	N/A
01-Oct-32 < 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	20-May-22	13-May-22
1 Year	2.07%	2.04%
2 Year	2.60%	2.61%
5 Year	2.80%	2.89%
10 Year	2.78%	2.93%
30 Year	2.99%	3.10%

MARKET INTEREST RATES	20-May-22	Last Month
AWPLR	20.32%	16.38%

	This Week	Last Week
FD Ceiling Rate(1Yr)	26.25%	26.22%

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



Daily Summary

Thursday (19.05.22): The Monetary Board of the CBSL, at its meeting held on 18 May-22, decided to keep policy rates remain unchanged at the current levels of 13.50% (SDFR) and 14.50% (SLFR), respectively. Consequently, in the midst of unchanged policy rates, the secondary bond market witnessed slightly buying interest, with overall yield curve getting inverted mainly centred on the mid tenors. In the midst of thin trading, 2025 maturities changed hands between 23.75%-22.00% while 2027 maturities traded in the range of 22.00%-21.75%.

Friday (20.05.22): The secondary market yield curve remained broadly unchanged while overall market witnessed limited activities with ultra-thin volumes. In the midst of slight buying interest, 01.06.25 and 01.05.27 maturities traded at 22.75% and 21.50% respectively.

Monday (23.05.22): The secondary market yield curve remained broadly unchanged while the overall market activities continued to display a dull sentiment. During the day, 01.06.25 maturity changed hands at 22.60% yet recording thin volumes.

Tuesday (24.05.22): Ahead of the LKR 90.0Bn bill auction, activity in the secondary bond market was at a complete standstill as majority of market participants opted to be on the sidelines.

Wednesday (25.05.22): The secondary market yield curve remained broadly unchanged amidst thin volumes. Meanwhile at the bill auction, the total offered amount of LKR 90.0Bn was fully accepted with 66.80% of the amount being accepted from 03M T-Bill. Moreover, yields of 03M, 06M and 01 Year T-Bills declined to 23.65% (-42bps), 24.22% (-47bps) and 24.30% (-20bps), respectively. Post auction in the secondary market, 03M maturity traded in the range of 22.00%-21.50% while 06M and 1Yr maturities traded at 23.50% and 23.75% respectively.

OUTSTANDING STOCK	18-May-22	Previous Week	Change (%)
T-Bills [LKR 'Mn]	2,887,140	2,860,062	0.9%
T-Bonds [LKR 'Mn]	7,951,951	7,916,233	0.5%
TOTAL	10,839,092	10,776,295	0.6%
T-Bills & T-Bonds held by Foreigners			
Foreign Holding [LKR 'Mn]	2,703	2,712	-0.3%
Foreign Holding (%)	0.02%	0.03%	
MATURITY TABLE FOR NEXT WEEK		WEEK ENDING	3-Jun-22
Type	LKR ('Mn)	USD ('Mn)	
T-Bills	66,851		
T-Bonds			
T-Bond Interest	23,078		
SLDBs/Sovereign Bonds		0	
TOTAL	89,929	0	

T-BILL AUCTION				Week Ending 27-May-22		
Tenure	Current	Previous	Change	Offered	Bids	Accepted
	25-May-22	18-May-22	(bps)	LKR ('Mn)	LKR ('Mn)	LKR ('Mn)
91 days	23.65%	24.07%	-42	45,000	138,189	60,116
182 Days	24.22%	24.69%	-47	22,500	28,590	4,272
364 Days	24.30%	24.50%	-20	22,500	46,381	25,612
Date of Settlement	27-May-22			90,000	213,160	90,000

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