



First Capital

WEEKLY GOVERNMENT SECURITIES MARKET

First Capital Research

June 22, 2022

For the week 16.06.2022-22.06.2022

"Auction yields remain stable after 4-weeks"

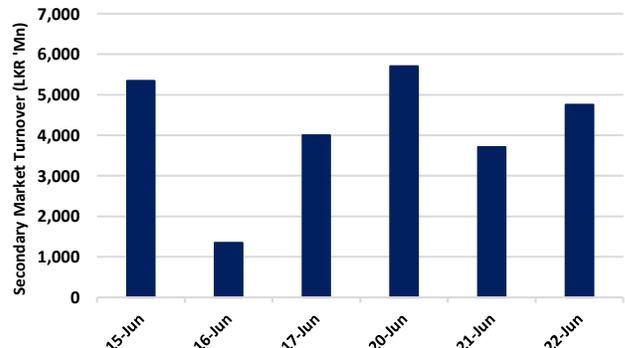
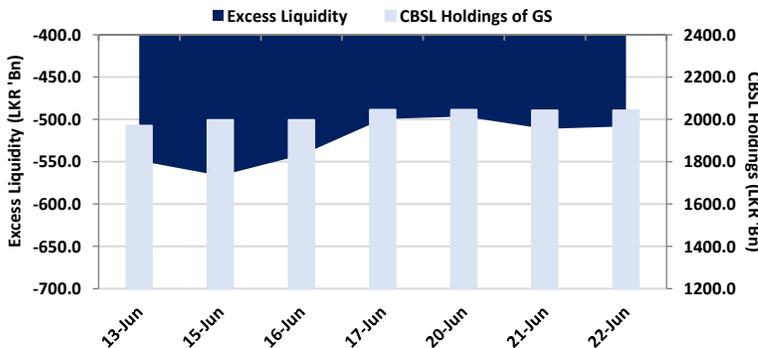
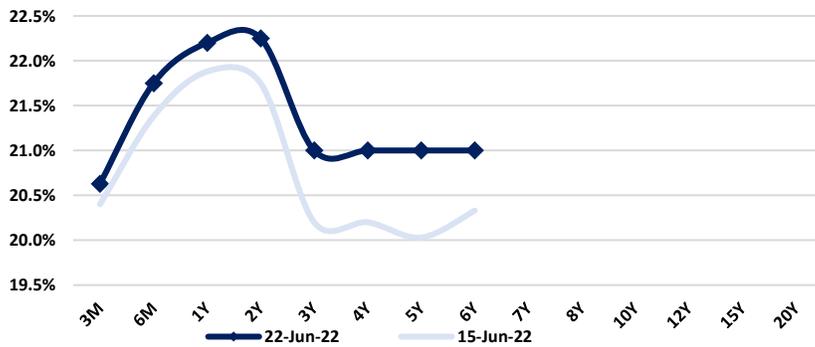
Weekly Yield Movement & Volume

The secondary market yield curve slightly edged up on the short tenor maturities and witnessed sizable spike towards mid end of the curve while generating thin volumes whereas no rates were quoted for bonds maturing beyond 6Yr as uncertainty persists to another week. In the primary market auction, T-bill yields remained stable after 4-weeks.

In the beginning, the secondary bond market yield curve continued to edge up on the short tenor maturities while spiked towards mid end of the curve, portraying the higher rate expectations of the market participants. Meanwhile, CBSL enabled the Direct Issuance Window facility for T-Bill auction through which, CBSL conducted an outright sale of T-Bill under OMO on 20th Jun 2022, in which 129 day bill was accepted at a weighted average yield of 20.75%, 150 day and 297 day bills were accepted at weighted averages of 21.67% and 21.80% while the bids for 136 day bills were rejected. Towards the end of the week, market witnessed mixed activities towards mid tenors predominantly on 01.06.25, 01.06.26 and 15.01.28 maturities.

Moreover, reflecting the lackluster activity at the bill auction held during the week, only LKR 30.8Bn was accepted out of the total offered of LKR 93.0Bn, while yields across the board remained unchanged.

In the Forex market, LKR marginally depreciated against the greenback with the rupee recording at LKR 360.9 towards the end of the week compared to LKR 359.9 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 -542.0Bn and improved to LKR -508.2Bn by the end of the week. Meanwhile, CBSL holdings increased to LKR 2,043.0Bn compared to LKR 1,997.7Bn held at the beginning.

Foreign Interest

Foreign holding in government securities marginally improved to LKR 2.9Bn compared to LKR 2.8Bn whilst foreign holding percentage was maintained at 0.03%.

Maturities for next week

The Government Securities market has to settle a Treasury bill maturity amounting to LKR 169.2Bn and a Treasury bond coupon interest amounting to LKR 45.2Bn for the week ending 1st Jul 2022.

TENURE	BID	OFFER
< 91 Days < 3M	20.75%	20.50%
< 182 Days < 6M	22.00%	21.50%
< 364 Days < 1Y	22.40%	22.00%
15-Mar-24 < 2Y	22.50%	22.00%
01-Jun-25 < 3Y	21.25%	20.75%
01-Feb-26 < 4Y	21.25%	20.75%
15-Jan-27 < 5Y	21.25%	20.75%
15-Jan-28 < 6Y	21.25%	20.75%
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	17-Jun-22	10-Jun-22
1 Year	2.86%	2.58%
2 Year	3.17%	3.06%
5 Year	3.34%	3.25%
10 Year	3.25%	3.15%
30 Year	3.30%	3.20%

MARKET INTEREST RATES	17-Jun-22	Last Month
AWPLR	21.27%	21.12%

	This Week	Last Week
FD Ceiling Rate(1Yr)	25.31%	25.92%

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

Daily Summary

Thursday (16.06.22): Secondary Market yield curve displayed a slight surge on the mid tenors while overall volumes remained low during the day. Meanwhile, 3M and 1Yr maturities traded at 20.35% and 21.80% respectively.

Friday (17.06.22): The secondary bond market yield curve continued to edge up mainly centred on the short to mid tenor maturities, portraying the higher rate expectations of the market participants in the midst of jittery sentiment. Meanwhile, CBSL enabled the Direct Issuance Window facility for the T-Bill auction held on 15th Jun 2022 and announced another issue of LKR 93.0Bn T-bills to be issued through the auction on 22nd Jun 2022.

Monday (20.06.22): A dull trading day was observed with secondary market almost at a standstill on the back of thin volumes. However, market witnessed 2-way quotes at slightly higher yields. Meanwhile auction for outright sale of Treasury Bill was under Open Market Operations (OMO) with 129 day bill accepted at a weighted average yield of 20.75%, 150 day and 297 day bills accepted at weighted averages of 21.675% and 21.80% while the bids for 136 day bills were rejected.

Tuesday (21.06.22): The secondary market yield curve remained broadly unchanged as the overall market witnessed a dull sentiment. During the day, 01.06.25, 01.05.27 and 15.01.28 maturities traded at a same rate of 21.00%.

Wednesday (22.06.22): The secondary bond market yield curve witnessed some selling pressure during the morning hours of trading, resulting in 01.06.26 maturity trading at 20.47% and 15.01.28 at 21.25%. However, following the bill auction outcome, with steady yields across maturities, market witnessed slight buying interest with 01.06.25 maturity changing hands at 21.0%. However, despite having the bill auction, the overall market witnessed limited activities with thin volumes. Moreover, reflecting the lackluster activity at the bill auction, only LKR 30.8Bn was accepted out of the total offered of LKR 93.0Bn, while yields across the board remained unchanged.

OUTSTANDING STOCK	8-Jun-22	Previous Week	Change (%)
T-Bills [LKR 'Mn]	2,967,456	2,927,757	1.4%
T-Bonds [LKR 'Mn]	8,063,451	8,003,451	0.7%
TOTAL	11,030,907	10,931,209	0.9%
T-Bills & T-Bonds held by Foreigners			
Foreign Holding [LKR 'Mn]	2,871	2,816	1.9%
Foreign Holding (%)	0.03%	0.03%	
MATURITY TABLE FOR NEXT WEEK		WEEK ENDING	1-Jul-22
Type	LKR ('Mn)	USD ('Mn)	
T-Bills	169,157		
T-Bonds			
T-Bond Interest	45,221		
SLDBs/Sovereign Bonds		0	
TOTAL	214,378	0	

T-BILL AUCTION				Week Ending 24-Jun-22		
Tenure	Current	Previous	Change	Offered	Bids	Accepted
	22-Jun-22	15-Jun-22	(bps)	LKR ('Mn)	LKR ('Mn)	LKR ('Mn)
91 days	20.73%	20.73%	0	40,000	61,042	19,883
182 Days	21.90%	21.90%	0	25,000	30,200	5,759
364 Days	22.04%	22.04%	0	28,000	38,660	5,137
Date of Settlement	24-Jun-22			93,000	129,902	30,779

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