



First Capital

# WEEKLY GOVERNMENT SECURITIES MARKET

First Capital Research

June 29, 2022

For the week 23.06.2022-29.06.2022

## "T-Bill auction yields ramp up after 6-weeks"

### Weekly Yield Movement & Volume

The secondary market yield curve strikingly edged up on the short to mid tenor maturities following the outcome of the primary market auctions while no rates were quoted for bonds maturing beyond 9Yr with pursuing uncertainties while activities remained subtle generating low volumes.

In the beginning of the week, market saw mixed activities while 01.06.25 maturity changed hands within a range of 21.00%-21.25% which subsequently increased upto 23.75%-24.40% levels towards the end of the week. However, activities were limited as market participants took the sidelines over mounting uncertainties while market extended to a complete standstill over the following days. Towards the end of the week limited activities were witnessed on mid tenor maturities following the results of the bond and bill auctions while volumes recorded to be low.

In the primary bond auction worth LKR 150.0Bn, bonds maturing in 2028 and 2031 was fully subscribed at weighted average yields of 21.18% and 20.74%, respectively. However, on the 2025 maturity only LKR 52.3Bn was accepted from LKR 60.0Bn offered, at a weighted average yield of 23.77%.

Moreover, T-Bill auction results stunned the market with yields soaring high across the board, registering a hike after 6 weeks while only 92% of the total offered amount of LKR 77.5Bn was accepted with high reception for 3M maturities. As a result, 03M, 06M and 01Yr maturities increased to 23.85% (+312bps), 24.40% (+250bps) and 23.84% (+180bps) respectively.

In the Forex market, LKR slightly appreciated against the greenback with the rupee recording at LKR 359.7 towards the end of the week compared to LKR 360.9 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 -509.4Bn and improved to LKR -467.9n by the end of the week. Meanwhile, CBSL holdings increased to LKR 2,086.5Bn compared to LKR 2,043.0Bn held at the beginning.

### Foreign Interest

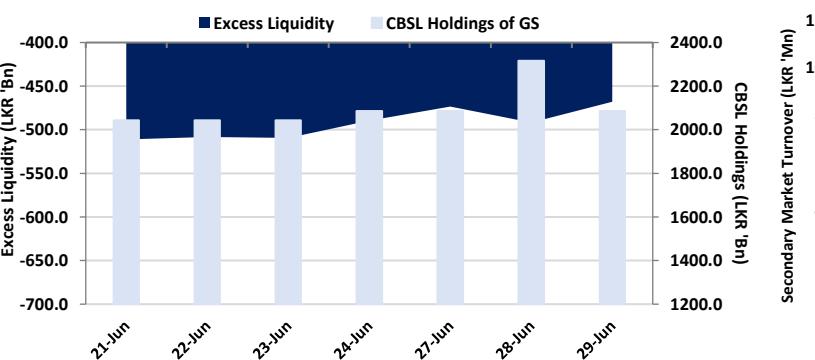
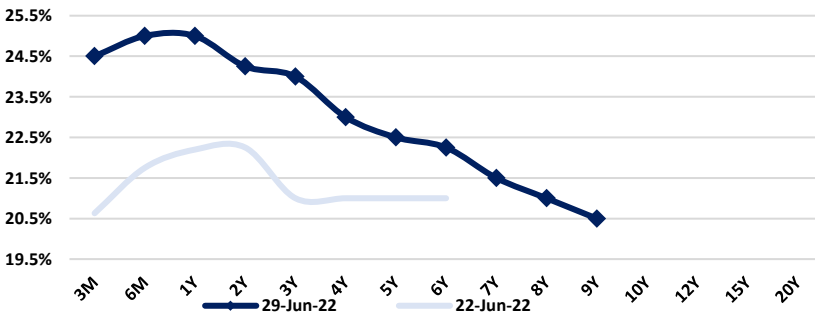
Foreign holding in government securities slightly improved by LKR 28.8Mn to LKR 2.9Bn whilst foreign holding percentage was maintained at 0.03%.

### Maturities for next week

The Government Securities market has to settle a Treasury bill maturity amounting to LKR 52.5Bn for the week ending 8<sup>th</sup> Jul 2022.

TENURE	BID	OFFER
< 91 Days < 3M	25.00%	24.00%
< 182 Days < 6M	25.50%	24.50%
< 364 Days < 1Y	25.50%	24.50%
15-Mar-24 < 2Y	24.50%	24.00%
01-Jun-25 < 3Y	24.25%	23.75%
01-Feb-26 < 4Y	23.50%	22.50%
15-Jan-27 < 5Y	23.00%	22.00%
15-Jan-28 < 6Y	22.50%	22.00%
01-Jan-29 < 7Y	22.00%	21.00%
15-May-30 < 8Y	21.50%	20.50%
15-May-31 < 9Y	21.00%	20.00%
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

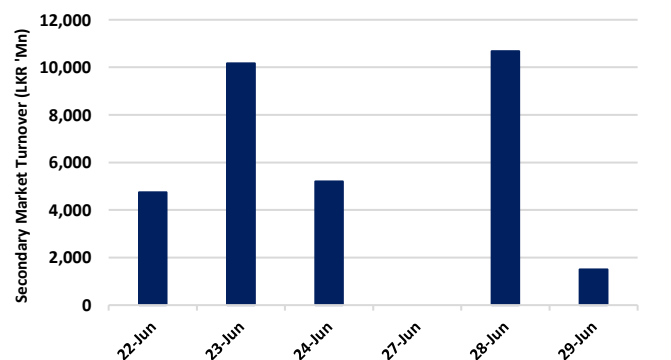
US TREASURIES	24-Jun-22	17-Jun-22
1 Year	2.83%	2.86%
2 Year	3.04%	3.17%
5 Year	3.18%	3.34%
10 Year	3.13%	3.25%
30 Year	3.26%	3.30%



MARKET INTEREST RATES	24-Jun-22	Last Month
AWPLR	22.27%	21.12%

	This Week	Last Week
FD Ceiling Rate(1Yr)	24.74%	25.31%

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



## Daily Summary

**Thursday (23.06.22):** The secondary bond market saw mixed activities during the day although overall market witnessed limited activities as the market participants remained on the sidelines. In the midst of thin trading, 01.06.25 maturity changes hands within a range of 21.00%-21.25%. Meanwhile, CBSL announced an issue of LKR 150.0Bn T-bonds through an auction on 28<sup>th</sup> Jun 2022.

**Friday (24.06.22):** The secondary bond market witnessed a complete standstill as the market participants opted to lie low without engaging in any active trading.

**Monday (27.06.22):** The secondary bond market extended its stagnant position remaining at a standstill without any trades during the day ahead of the LKR 150.0Bn bond auction on 28<sup>th</sup> Jun 2022.

**Tuesday (28.06.22):** The primary bond auction worth LKR 150.0Bn was held and bonds maturing in 2028 and 2031 was fully subscribed at weighted average yields of 21.18% and 20.74%, respectively. However, on the 2025 maturity only LKR 52.3Bn was accepted from LKR 60.0Bn offered, at a weighted average yield of 23.77%. Meanwhile on the secondary market, weighted average yields moved sharply up in-line with the primary auction, where 01.06.25 maturity traded at 23.75% whilst 15.05.31 maturity traded at 20.25%.

**Wednesday (29.06.22):** T-Bill auction results stunned the market with yields soaring high across the board, registering a hike after 6 weeks while only 92% of the total offered amount of LKR 77.5Bn was accepted with high reception for 3M maturities. As a result, 03M, 06M and 01Yr maturities increased to 23.85% (+312bps), 24.40% (+250bps) and 23.84% (+180bps) respectively. However, in the secondary market, activities remained limited amidst thin volumes. Following the outcome of the bill auction, 01.06.25 maturity traded at 24.40% while 15.01.28 maturity traded within the range of 22.05% - 22.50%.

OUTSTANDING STOCK	22-Jun-22	Previous Week	Change (%)
T-Bills [LKR 'Mn]	3,042,009	2,967,456	2.5%
T-Bonds [LKR 'Mn]	8,063,451	8,063,451	0.0%
<b>TOTAL</b>	<b>11,105,461</b>	<b>11,030,907</b>	<b>0.7%</b>
T-Bills & T-Bonds held by Foreigners			
Foreign Holding [LKR 'Mn]	2,900	2,871	1.0%
Foreign Holding (%)	0.03%	0.03%	
MATURITY TABLE FOR NEXT WEEK		WEEK ENDING	8-Jul-22
Type	LKR ('Mn)	USD ('Mn)	
T-Bills	52,545		
T-Bonds			
T-Bond Interest	0		
SLDBs/Sovereign Bonds		0	
<b>TOTAL</b>	<b>52,545</b>	<b>0</b>	

T-BILL AUCTION				Week Ending		1-Jul-22
Tenure	Current	Previous	Change	Offered	Bids	Accepted
	29-Jun-22	22-Jun-22	(bps)	LKR ('Mn)	LKR ('Mn)	LKR ('Mn)
91 days	23.85%	20.73%	312	37,500	51,534	39,334
182 Days	24.40%	21.90%	250	20,000	33,098	18,658
364 Days	23.84%	22.04%	180	20,000	27,547	13,177
<b>Date of Settlement</b>			<b>1-Jul-22</b>	<b>77,500</b>	<b>112,179</b>	<b>71,169</b>

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