



First Capital

WEEKLY GOVERNMENT SECURITIES MARKET

First Capital Research

July 6, 2022

For the week 30.06.2022-06.07.2022

"T-Bill auction yields hit 25-year high"

Weekly Yield Movement & Volume

The secondary market yield curve sky rocketed mainly on the short end of the curve following the results of the bill auction. Meanwhile, investors were stunned over the huge hike of 3M, 6M and 1Yr auction yields which recorded a 25-year high.

In the beginning of the week, market activities were at a complete standstill as investors adopted a wait and see approach ahead of the monetary policy review meeting held on 6th Jul. However, towards the end of the week, T-Bill yields in the secondary market advanced to 30.00%, following the results of the bill auction. In line with the market expectations, on 07th Jul-22, CBSL announced to further tighten its monetary policy stance by rising the SDFR and SLFR by 100bps to 14.50% and 15.50%, respectively.

Meanwhile at the bill auction, total offered amount of LKR 70.0Bn was accepted with a greater allocation towards 03M T-Bills. Moreover, weighted average yields of 03M, 06M and 01Yr T-Bills skyrocketed to 28.08% (+423bps), 28.74% (+434bps) and 28.11% (+427bps), respectively.

In the Forex market, LKR depreciated against the greenback with the rupee recording at LKR 360.8 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 -522.8Bn and improved to LKR -516.3n by the end of the week. Meanwhile, CBSL holdings increased to LKR 2,131.1Bn compared to LKR 2,086.5Bn held at the beginning.

Foreign Interest

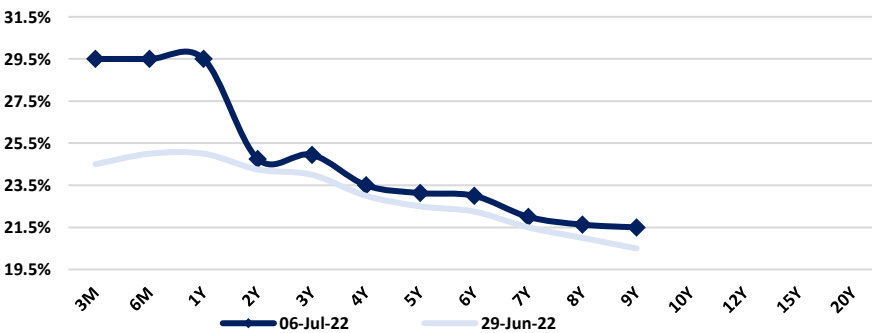
Foreign holding in government securities significantly improved to LKR 3.7Bn compared to LKR 2.9Bn whilst foreign holding percentage was maintained at 0.3%

Maturities for next week

The Government Securities market has to settle a Treasury bill maturity amounting to LKR 131.8Bn and a Treasury bond coupon interest amounting to LKR 26.7Bn for the week ending 15th Jul 2022.

TENURE	BID	OFFER
< 91 Days < 3M	30.00%	29.00%
< 182 Days < 6M	30.00%	29.00%
< 364 Days < 1Y	30.00%	29.00%
15-Mar-24 < 2Y	25.00%	24.50%
01-Jun-25 < 3Y	25.15%	24.75%
01-Feb-26 < 4Y	24.00%	23.00%
15-Jan-27 < 5Y	23.50%	22.75%
15-Jan-28 < 6Y	23.50%	22.50%
01-Jan-29 < 7Y	22.50%	21.50%
15-May-30 < 8Y	22.00%	21.25%
15-May-31 < 9Y	22.00%	21.00%
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

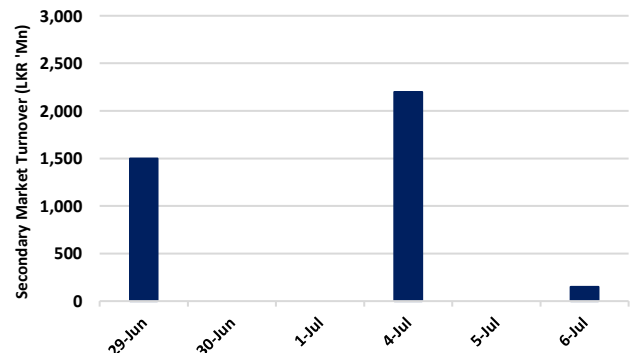
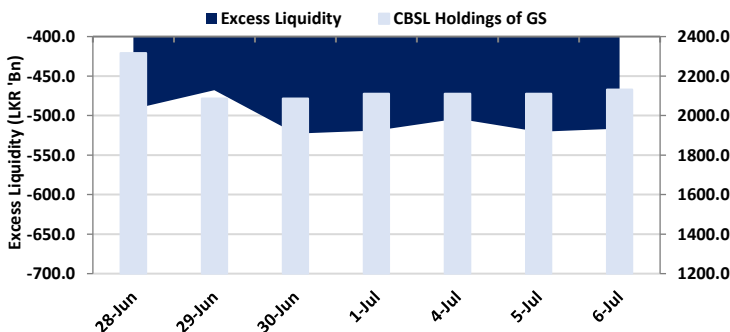
US TREASURIES	1-Jul-22	24-Jun-22
1 Year	2.79%	2.83%
2 Year	2.84%	3.04%
5 Year	2.88%	3.18%
10 Year	2.88%	3.13%
30 Year	3.11%	3.26%



MARKET INTEREST RATES	1-Jul-22	Last Month
AWPLR	22.62%	22.27%

	This Week	Last Week
FD Ceiling Rate(1Yr)	24.76%	24.74%

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



Daily Summary

Thursday (30.06.22): Following the results of the bill auction, the activity in the secondary bond market was at a complete standstill as market participants await for a clear direction on the economic front.

Friday (01.01.22): Secondary market was at a complete standstill, extending the sluggish sentiment as market participants quoted rates on a wide range with mounting uncertainty prevailing in the market.

Monday (04.07.22): The secondary bond market yields slightly edged up ahead of the Monetary policy review falling on 7th Jul 2022 although overall market witnessed limited activities with low volumes. During the day, 3M and 1Yr T-bill maturities traded at 25.00% and 25.25%, respectively whereas on the mid end of the curve, 01.06.25 maturity changed hands at 25.10%.

Tuesday (05.07.22): A dull trading day was observed in the secondary market with lackluster investor activity as investors took a wait and see approach ahead of the bill auction and the policy meeting. Meanwhile ultra-thin volumes was observed on the 3-month bill, as the instrument traded at 25% levels.

Wednesday (06.07.22): The T-Bill auction shocked the market participants with the cut-off rates across the maturities advancing over 30.0% ahead of the monetary policy announcement. Accordingly, total offered amount of LKR 70.0Bn was accepted with a greater allocation towards 03M T-Bills. Moreover, weighted average yields of 03M, 06M and 01Yr T-Bills skyrocketed to 28.08% (+423bps), 28.74% (+434bps) and 28.11% (+427bps), respectively. No active trades witnessed in the secondary market.

OUTSTANDING STOCK	29-Jun-22	Previous Week	Change (%)
T-Bills [LKR 'Mn]	3,052,752	3,042,009	0.4%
T-Bonds [LKR 'Mn]	8,063,451	8,063,451	0.0%
TOTAL	11,116,203	11,105,461	0.1%
T-Bills & T-Bonds held by Foreigners			
Foreign Holding [LKR 'Mn]	3,667	2,900	26.5%
Foreign Holding (%)	0.03%	0.03%	
MATURITY TABLE FOR NEXT WEEK		WEEK ENDING	15-Jul-22
Type	LKR ('Mn)	USD ('Mn)	
T-Bills	131,814		
T-Bonds			
T-Bond Interest	26,696		
SLDBs/Sovereign Bonds		0	
TOTAL	158,510	0	

T-BILL AUCTION				Week Ending		8-Jul-22
Tenure	Current	Previous	Change	Offered	Bids	Accepted
	06-Jul-22	29-Jun-22	(bps)	LKR ('Mn)	LKR ('Mn)	LKR ('Mn)
91 days	28.08%	23.85%	423	35,000	47,213	43,163
182 Days	28.74%	24.40%	434	17,500	18,659	15,809
364 Days	28.11%	23.84%	427	17,500	17,994	11,028
Date of Settlement			8-Jul-22	70,000	83,866	70,000

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