



First Capital

WEEKLY GOVERNMENT SECURITIES MARKET

First Capital Research

July 12, 2022

For the week 07.07.2022-12.07.2022

"Auction yields continue to escalate successively"

Weekly Yield Movement & Volume

The secondary market yield curve significantly edged up on the belly end following the bond auction results while T-Bill auction yields topped the previous high as it continued to escalate. However, activities remained subtle during the week amidst thin volumes.

As the week commenced, following the massive rise in yields in the previous week short tenor yields in the secondary market was seen easing off as a result of the lower-than-expected rate hike in the Monetary Policy review meeting (100bps increase in SDFR and SLFR). Subsequently, activities were witnessed in short to mid tenor maturities over the week amidst a sluggish sentiment while volumes continued to be low. However, post bond auction 15.07.29 maturity changed hands within a range of 30.50% - 31.00%. Following the surge in T-Bill auction yields, 2 way quotes on short tenors in the secondary market increased significantly reflecting the same.

At the bond auction, only 62.0% of the total offered amount of LKR 70.0Bn was accepted with weighted average yields of 01.06.25 and 15.07.29 maturities advancing to 28.18% and 26.51%, respectively.

Meanwhile at the bill auction, only 82.6% of the total offered amount of LKR 65.0Bn was accepted with 92.8% being accepted from 03M bill. T-bill yields recorded a back to back rise while surpassing the previous week's high with the yields of 03M, 06M and 1Y increasing to 32.11% (403bps), 31.01% (227bps) and 29.87% (176bps)

In the Forex market, LKR slightly depreciated against the greenback with the rupee recording at LKR 360.9 towards the end of the week compared to LKR 360.8 at the beginning of the week.

Liquidity & CBSL Holdings

Market Liquidity remained negative despite moderate improvement during the week. At the beginning, excess liquidity was recorded at LKR -491.5Bn and improved to LKR -361.4Bn by the end of the week. Meanwhile, CBSL holdings increased to LKR 2,234.2Bn compared to LKR 2,131.1Bn held at the beginning.

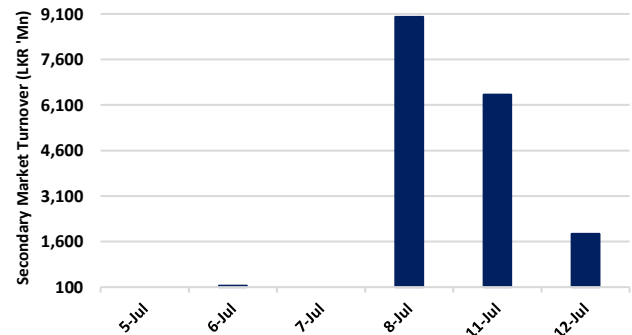
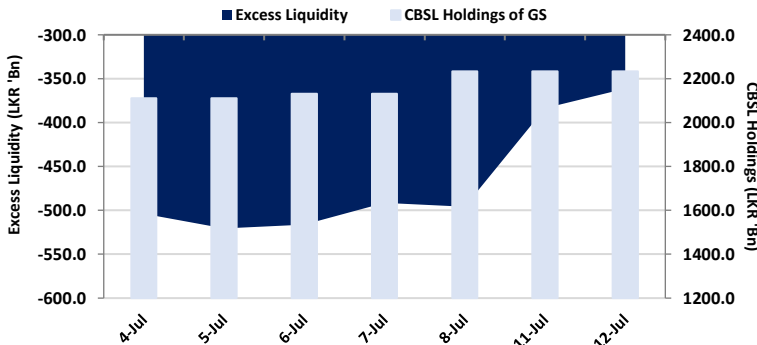
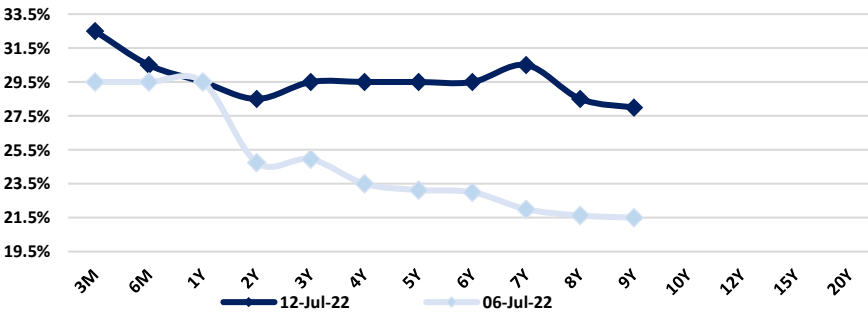
Foreign Interest

Foreign holding in government securities increased sharply to LKR 4.4Bn compared to LKR 3.6Bn reflecting an increase of 21.1%, whilst foreign holding percentage marginally rose to 0.4%.

Maturities for next week

The Government Securities market has to settle a Treasury bill maturity amounting to LKR 132.9Bn for the week ending 22nd Jul 2022.

| TENURE | BID | OFFER |
|-----------------|----------|----------|
| < 91 Days < 3M | 33.00% | 32.00% |
| < 182 Days < 6M | 31.00% | 30.00% |
| < 364 Days < 1Y | 30.00% | 29.00% |
| 15-Mar-24 < 2Y | 30.00% | 27.00% |
| 01-Jun-25 < 3Y | 31.00% | 28.00% |
| 01-Feb-26 < 4Y | 31.00% | 28.00% |
| 15-Jan-27 < 5Y | 31.00% | 28.00% |
| 15-Jan-28 < 6Y | 31.00% | 28.00% |
| 01-Jan-29 < 7Y | 31.00% | 30.00% |
| 15-May-30 < 8Y | 30.00% | 27.00% |
| 15-May-31 < 9Y | 30.00% | 26.00% |
| 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 | 8-Jul-22 | 1-Jul-22 |
| 1 Year | 2.96% | 2.79% |
| 2 Year | 3.12% | 2.84% |
| 5 Year | 3.13% | 2.88% |
| 10 Year | 3.09% | 2.88% |
| 30 Year | 3.27% | 3.11% |



| MARKET INTEREST RATES | 8-Jul-22 | Last Month |
|-----------------------|----------|------------|
| AWPLR | 22.27% | 22.27% |
| FD Ceiling Rate(1Yr) | 26.01% | 24.76% |
| MONEY MARKET RATES | High | Low |
| Call Money | 15.50% | 15.50% |
| Repo Rates | 15.50% | 15.50% |

Daily Summary

Thursday (07.07.22): CBSL at its Monetary Policy review meeting decided to increase the SDFR and SLFR rates by 100bps to 14.50% and 15.50% respectively in an attempt to contain any build-up of adverse inflation which has escalated higher than expected levels. Following the policy review, in the secondary market yields witnessed a slight ease off with 1Yr maturity trading within a range of 29.10%-28.60%. However, activities remained limited with ultra-thin volumes.

Friday (08.07.22): The secondary bond market depicted a sluggish trading sentiment while registering ultra-thin volumes during the day. However, in the midst of slight buying interest 03M bill traded at 28.0%.

Monday (11.07.22): The secondary market yield curve hoisted upwards across the short-mid tenor maturities following the bond auction. Accordingly, only 62.0% of the total offered amount of LKR 70.0Bn was accepted with weighted average yields of 01.06.25 and 15.07.29 maturities advancing to 28.18% and 26.51%, respectively. Meanwhile during post-auction, 15.07.29 maturity changed hands within a range of 30.50% - 31.00%. However, overall activities of the secondary market remained dull while generating ultra-thin volumes.

Tuesday (12.07.22): During the day, the secondary bond market saw mixed activities towards mid tenor maturities where 15.07.29 maturity changed hands at 30.50% level. Meanwhile, the T-bill auction results stunned the market participants by registering an unprecedented spike in yields. At the bill auction, only 82.6% of the total offered amount of LKR 65.0Bn was accepted with 92.8% being accepted from 03M bill. T-bill yields recorded a back to back rise while surpassing the previous week's high with the yields of 03M, 06M and 1Y increasing to 32.11% (403bps), 31.01% (227bps) and 29.87% (176bps)

| OUTSTANDING STOCK | 6-Jul-22 | Previous Week | Change (%) |
|--------------------------------------|-------------------|-------------------|-------------|
| T-Bills [LKR 'Mn] | 3,119,919 | 3,052,752 | 2.2% |
| T-Bonds [LKR 'Mn] | 8,096,618 | 8,063,451 | 0.4% |
| TOTAL | 11,216,537 | 11,116,203 | 0.9% |
| T-Bills & T-Bonds held by Foreigners | | | |
| Foreign Holding [LKR 'Mn] | 4,440 | 3,667 | 21.1% |
| Foreign Holding (%) | 0.04% | 0.03% | |
| MATURITY TABLE FOR NEXT WEEK | | WEEK ENDING | 22-Jul-22 |
| Type | LKR ('Mn) | USD ('Mn) | |
| T-Bills | 132,871 | | |
| T-Bonds | | | |
| T-Bond Interest | | | |
| SLDBs/Sovereign Bonds | | 0 | |
| TOTAL | 132,871 | 0 | |

| T-BILL AUCTION | | | | Week Ending 15-Jul-22 | | |
|---------------------------|-----------|-----------|------------------|-----------------------|----------------|---------------|
| Tenure | Current | Previous | Change | Offered | Bids | Accepted |
| | 12-Jul-22 | 06-Jul-22 | (bps) | LKR ('Mn) | LKR ('Mn) | LKR ('Mn) |
| 91 days | 32.11% | 28.08% | 403 | 32,000 | 66,729 | 49,853 |
| 182 Days | 31.01% | 28.74% | 227 | 16,500 | 17,955 | 1,802 |
| 364 Days | 29.87% | 28.11% | 176 | 16,500 | 17,883 | 2,059 |
| Date of Settlement | | | 15-Jul-22 | 65,000 | 102,567 | 53,714 |

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GOVERNMENT SECURITIES SALES

| | | | |
|---------------------|-----------------|---------------------|-----------------|
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| Anushi Ranawaka | +94 77 3876 819 | | |

CORPORATE DEBT SALES

| | |
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|--------------------|-------------------|

EQUITY SALES

| | | | | |
|---------------------|------------------|----------------------|-----------------|--|
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| Colombo | | | | |
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| Isuru Jayawardena | +94 76 7084 953 | Anjelo LaBrooy | +94 77 7546 645 | |
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| Anushka Buddhika | +94 71 4310 600 | Yudheshan Kannadasan | +94 77 415 5809 | |
| Thushara Pathiraja | +94 70 2910 037 | | | |
| Negombo | | | | |
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| | | | |
|---------------------|-----------------|-----------------------|-----------------|
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|---------------------|-----------------|-----------------------|-----------------|

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