



First Capital

WEEKLY GOVERNMENT SECURITIES MARKET

First Capital Research

July 27, 2022

For the week 21.07.2022-27.07.2022

"Yield curve ebbs down as auction yields slid low"

Weekly Yield Movement & Volume

Secondary market yield curve edged down during the week amidst mixed sentiment witnessed in the midst of ultra-thin volumes while T-Bill auction yields hit the skids for the second straight week in line with market expectations resulting for the yield curve to ebb lower across the board.

In the beginning of the week with buying interest that emerged in mid tenor maturities, activities were witnessed in 01.06.25, 15.01.28 and 15.07.29 maturities although volumes remained thin. By mid-week, activities dampened with mounting woes as investors sought for economic stability while 01.06.25 maturity was seen changing hands at 25.00% as selling interest surfaced. Furthermore, following the T-Bond auction announcement, yields quoted higher on the belly end of the curve as selling sentiment extended although activities took a dull note and continued to be subdued as investors opted to take sidelines.

Meanwhile at the bill auction, total offered amount of LKR 85.0Bn was fully accepted where the weighted average yield of 03M maturity sharply declined to 28.86% (-264bps), while 06M and 1Yr maturities plunged to 29.24% (-73bps) and 29.53% (-29bps), respectively. Moreover, 71% of the total offered amount was accepted from the 03M maturity indicating a high reception.

In the Forex market, LKR marginally appreciated against the greenback with the rupee recording at LKR 361.0 towards the end of the week compared to LKR 361.7 at the beginning of the week.

Liquidity & CBSL Holdings

Market Liquidity remained negative and slightly improved during the week. At the beginning, excess liquidity was recorded at LKR -436.1Bn and improved to LKR -434.0Bn by the end of the week. Meanwhile, CBSL holdings too slightly declined to LKR 2,266.2Bn compared to LKR 2,268.3Bn held at the beginning.

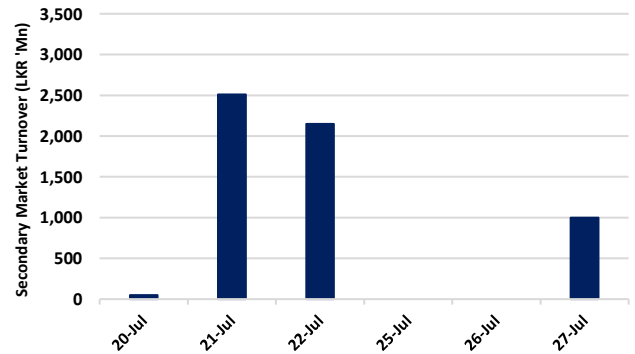
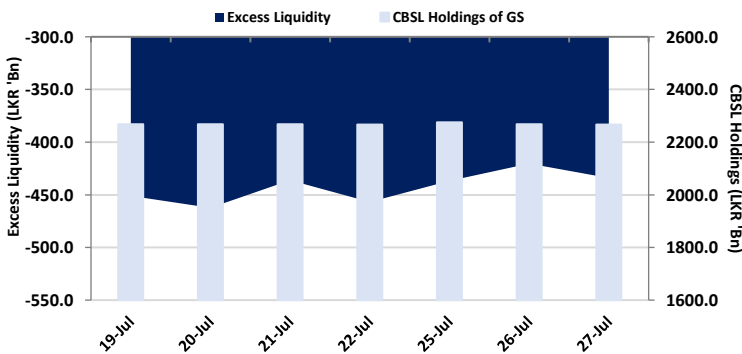
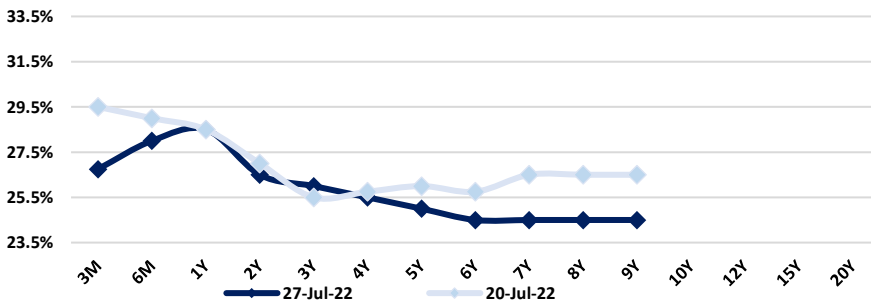
Foreign Interest

Foreign holding in government securities contracted to LKR 4.1Bn compared to LKR 4.7Bn reflecting a decline of 12.8%, whilst foreign holding percentage was maintained at 0.04%.

Maturities for next week

The Government Securities market has to settle a Treasury bill maturity amounting to LKR 147.4Bn and T-Bond interest amounting to LKR 28.7Bn for the week ending 05th Aug 2022.

TENURE	BID	OFFER
< 91 Days < 3M	27.00%	26.50%
< 182 Days < 6M	28.50%	27.50%
< 364 Days < 1Y	29.00%	28.00%
15-Mar-24 < 2Y	27.50%	25.50%
01-Jun-25 < 3Y	27.00%	25.00%
01-Feb-26 < 4Y	26.50%	24.50%
15-Jan-27 < 5Y	26.00%	24.00%
15-Jan-28 < 6Y	25.00%	24.00%
01-Jan-29 < 7Y	25.00%	24.00%
15-May-30 < 8Y	25.00%	24.00%
15-May-31 < 9Y	25.00%	24.00%
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	22-Jul-22	15-Jul-22
1 Year	3.01%	3.12%
2 Year	2.98%	3.13%
5 Year	2.87%	3.05%
10 Year	2.77%	2.93%
30 Year	3.00%	3.10%



MARKET INTEREST RATES	22-Jul-22	Last Month
AWPLR	23.53%	22.27%
FD Ceiling Rate(1Yr)	29.91%	27.97%
MONEY MARKET RATES	High	Low
Call Money	15.50%	15.50%
Repo Rates	15.50%	15.50%

Daily Summary

Thursday (21.07.22): Following the outcome of the T-Bill auction, yields in the secondary market witnessed a slump across maturities amidst thin volumes. Meanwhile, as buying interest progressed in mid to long tenor maturities, 01.06.25 maturity traded at 25.50%-24.90% while 15.01.28 and 15.07.29 maturities traded in the range of 25.00%-24.50% and 26.00%-24.80%, respectively.

Friday (22.07.22): The secondary market yield curve remained broadly unchanged while the overall market displayed limited activities generating low volumes. During the day, with some buying interest, 01.06.25 maturity hovered in a lower range of 24.85% - 24.82% against the previous day closing of 24.90%.

Monday (25.07.22): Despite the slight buying interest progressed during the last week, during the day, the secondary bond market yield curve remained broadly unchanged while overall market displayed very limited activities generating ultra-thin volumes as investors digested the ongoing woes and continued to assess the outlook for political and economic stability. As a result, in the midst of ultra-thin trading, with some selling interest, 01.06.25 maturity was seen changing hands at 25.00%. Moreover, in the midst of lack of positive developments, the foreign holding in rupee bonds declined by LKR 606.1 Mn during the week ending 20th July reversing the increasing trend witnessed over the previous few weeks.

Tuesday (26.07.22): CBSL announced to issue LKR 50.0Bn worth of bonds under 01.06.25 and 15.05.31 maturities via the auction to be held on 28th Jul 2022. Subsequent to the announcement, the secondary market yields quoted higher on the belly end of the curve displaying a selling sentiment on the auction maturities. However, market activities remained dull without executing any trades. Moreover, on the forex market, the guidance peg for USD/LKR spot contracts displayed a slight appreciation for the 4th straight day to close at LKR 361.00 compared to the previous day closing of LKR 361.09.

Wednesday (27.07.22): At the primary auction, weighted average yields of T-Bills edged down for the second consecutive auction in line with market expectations. Total offered amount of LKR 85.0Bn was fully accepted where the weighted average yield of 03M maturity sharply declined to 28.86% (-264bps), while 06M and 1Yr maturities plunged to 29.24% (-73bps) and 29.53% (-29bps), respectively. Moreover, 71% of the total offered amount was accepted from the 03M maturity indicating a high reception. However, activities remained subdued in the secondary market and did not reflect the results of the primary auction as investors took sidelines ahead of the LKR 50.0Bn bond auction to be held on 28th Jul 2022.

OUTSTANDING STOCK	20-Jul-22	Previous Week	Change (%)
T-Bills [LKR 'Mn]	3,311,283	3,270,856	1.2%
T-Bonds [LKR 'Mn]	8,148,166	8,096,618	0.6%
TOTAL	11,459,449	11,367,474	0.8%
T-Bills & T-Bonds held by Foreigners			
Foreign Holding [LKR 'Mn]	4,134	4,740	-12.8%
Foreign Holding (%)	0.04%	0.04%	
MATURITY TABLE FOR NEXT WEEK		WEEK ENDING	5-Aug-22
Type	LKR ('Mn)	USD ('Mn)	
T-Bills	147,419		
T-Bonds			
T-Bond Interest	28,741		
SLDBs/Sovereign Bonds		0	
TOTAL	176,160	0	

T-BILL AUCTION				Week Ending 29-Jul-22		
Tenure	Current	Previous	Change	Offered	Bids	Accepted
	27-Jul-22	20-Jul-22	(bps)	LKR ('Mn)	LKR ('Mn)	LKR ('Mn)
91 days	28.86%	31.50%	-264	37,500	119,744	60,434
182 Days	29.24%	29.97%	-73	25,000	30,554	10,190
364 Days	29.53%	29.82%	-29	22,500	33,261	14,376
Date of Settlement	29-Jul-22			85,000	183,559	85,000

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