



First Capital

# WEEKLY GOVERNMENT SECURITIES MARKET

First Capital Research

August 3, 2022

For the week 28.07.2022-03.08.2022

## "Full acceptance of auctions reinstate market sentiment"

### Weekly Yield Movement & Volume

Following the bond auction results, the secondary market yield curve adjusted upwards mainly on the belly end of the curve, and remained unchanged afterwards whereas the overall market activities witnessed limited participation.

The secondary market was at a complete standstill in the beginning of the week, as investors took a breather after active participation in the previous bill and bond auctions. However, with the outcome of the bond auction, 01.06.25 maturity adjusted upwards on the curve. Subsequently yields remained unchanged as mixed interest was witnessed on the maturity. As the week progressed, investors continued to remain on the sidelines expecting to hear IMF's direction on staff level and board level agreement timelines. However, the full acceptance of both bill and bond auctions in the primary market depicts an improvement in market sentiment.

At the LKR 50.0Bn bond auction, weighted average yields witnessed a moderation, resulting in 01.06.25 maturity getting accepted at 28.45% and 15.05.31 at 23.91%. CBSL also managed to secure 88% of the total offered amount of LKR 50.0Bn in phase I and subsequently accepted the remaining 12% in phase II.

Meanwhile, at the T-Bill auction, the total offered amount of LKR 87.5Bn was accepted in full and the weighted average yields of 03M, 06M and 1Yr T-Bills lowered to 27.72% (-114bps), 28.97% (-27bps) and 29.19% (-34bps), respectively. Subsequent to the auction, 03M T-Bill attracted some buying in the secondary market and was traded at 27.00%.

In the Forex market, LKR marginally appreciated against the greenback with the rupee recording at LKR 360.9 towards the end of the week compared to LKR 361.0 at the beginning of the week.

### Liquidity & CBSL Holdings

Market Liquidity remained negative and deteriorated during the week. At the beginning, excess liquidity was recorded at LKR -436.29Bn and declined to LKR -462.72Bn by the end of the week. Meanwhile, CBSL holdings too marginally declined to LKR 2,261.4Bn compared to LKR 2,266.2Bn held at the beginning.

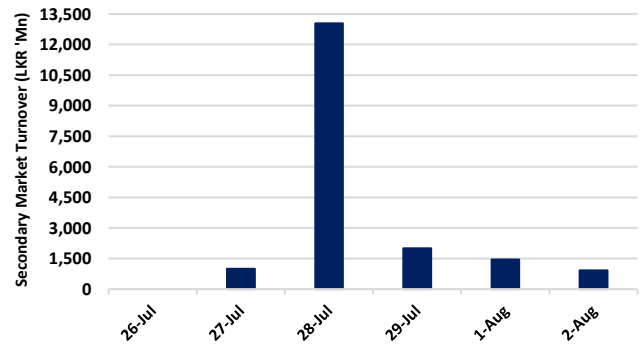
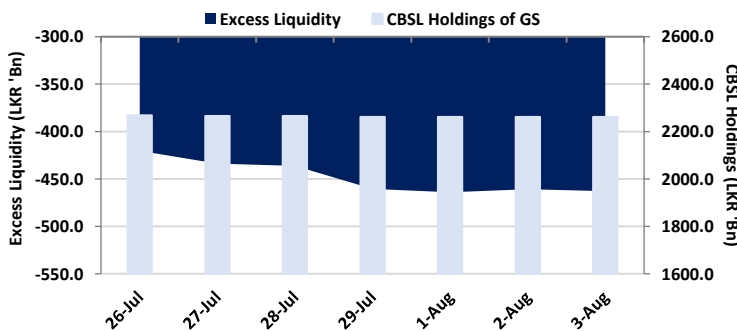
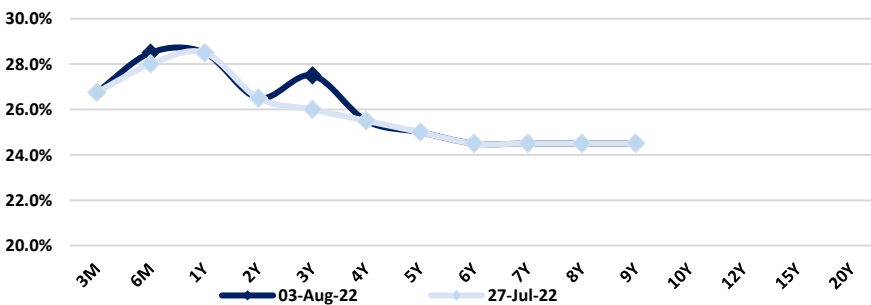
### Foreign Interest

Foreign holding in government securities marginally improved to LKR 4.2Bn compared to LKR 4.1Bn 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 147.1Bn for the week ending 12<sup>th</sup> Aug 2022.

TENURE	BID	OFFER
< 91 Days < 3M	27.00%	26.50%
< 182 Days < 6M	29.00%	28.00%
< 364 Days < 1Y	29.00%	28.00%
15-Mar-24 < 2Y	27.50%	25.50%
01-Jun-25 < 3Y	28.00%	27.00%
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	29-Jul-22	22-Jul-22
1 Year	2.98%	3.01%
2 Year	2.89%	2.98%
5 Year	2.70%	2.87%
10 Year	2.67%	2.77%
30 Year	3.00%	3.00%



MARKET INTEREST RATES	29-Jul-22	Last Month
AWPLR	24.94%	22.27%
	This Week	Last Week
FD Ceiling Rate(1Yr)	31.33%	29.91%
MONEY MARKET RATES	High	Low
Call Money	15.50%	15.50%
Repo Rates	15.50%	15.50%

## Daily Summary

**Thursday (28.07.22):** At the LKR 50.0Bn bond auction, weighted average yields witnessed a moderation, resulting in 01.06.25 maturity getting accepted at 28.45% and 15.05.31 at 23.91%, depicting an improvement in the market sentiment. Moreover, in addition to the full acceptance of the total offered amount of previous T-Bill auction, CBSL also managed to secure 88% of the total offered amount of LKR 50.0Bn in phase I at the bond auction and subsequently accepted the remaining 12% in phase II. Consequently, in light of the outcomes at both bill and bond auction, in the secondary market, with some buying interest, auction bond 01.06.25 was seen trading at 28.00%.

**Friday (29.07.22):** The secondary market was at absolute standstill during the day, as investors took a breather after active participation in bill and bond auction held on Wednesday and Thursday respectively. Mixed interest was observed on the 01.06.25 maturity, where a very small amount of transactions was conducted at 28.0%. Meanwhile, guidance peg announced by Sri Lanka's central bank for interbank transactions strengthened 20 cents to 360.80 rupees against US dollar from 361.00 rupees.

**Monday (01.08.22):** The secondary bond market yield curve stood predominantly stable while recording thin volumes during the day, as there were no major developments seen on the economic front including the IMF staff level agreement which was originally expected to reach by beginning of Aug-22. Moreover, the situation was further exacerbated by persistently high inflation as measured by the CCPI which shot up to 60.8% in Jul-22 from 54.6% in Jun-22 driven by higher Food and Non-Food inflation. However, with some slight buying appetite, 01.06.25 maturity was seen changing hands within a range of 27.90%-28.00%. Moreover, CBSL announced another larger value issue of T-bills amounting to LKR 87.5 through an auction on 03<sup>rd</sup> Aug 2022.

**Tuesday (02.08.22):** The secondary market activity was largely muted ahead of LKR 87.50Bn Treasury bill auction as investors waited on sidelines awaiting to hear IMF's direction on staff level and board level agreement timelines. On short term maturities, 6-month Treasury bill traded at 28.00% whilst 01.06.25 bond maturity traded between 27.39%-27.50%. In the Forex market, USD/LKR spot contracts remained steady at LKR 361.00.

**Wednesday (03.08.22):** T-bill auction yields edged down across the maturities for the 3<sup>rd</sup> consecutive week with the gradual build-up of confidence of the market participants that was further solidified by the positive news on the current status of the debt restructuring process and the anticipated success on IMF proceedings thereupon. During the pre-auction session, some buying appetite was noticed on the 01.06.25 maturity with the yields ranging within 27.90% - 27.68%. Meanwhile, at the T-Bill auction, the total offered amount of LKR 87.5Bn was accepted in full and the weighted average yields of 03M, 06M and 1Yr T-Bills lowered to 27.72% (-114bps), 28.97% (-27bps) and 29.19% (-34bps), respectively. Subsequent to the auction, 03M T-Bill attracted some buying in the secondary market and was traded at 27.00%.

OUTSTANDING STOCK	27-Jul-22	Previous Week	Change (%)
T-Bills [LKR 'Mn]	3,345,400	3,311,283	1.0%
T-Bonds [LKR 'Mn]	8,160,420	8,148,166	0.2%
<b>TOTAL</b>	<b>11,505,819</b>	<b>11,459,449</b>	<b>0.4%</b>

T-Bills & T-Bonds held by Foreigners			
Foreign Holding [LKR 'Mn]	4,158	4,134	0.6%
Foreign Holding (%)	0.04%	0.04%	

MATURITY TABLE FOR NEXT WEEK		WEEK ENDING	12-Aug-22
Type	LKR ('Mn)	USD ('Mn)	
T-Bills	147,138		
T-Bonds			
T-Bond Interest	0		
SLDBs/Sovereign Bonds		0	
<b>TOTAL</b>	<b>147,138</b>	<b>0</b>	

T-BILL AUCTION				Week Ending	5-Aug-22	
Tenure	Current	Previous	Change	Offered	Bids	Accepted
	<b>05-Aug-22</b>	<b>27-Jul-22</b>	<b>(bps)</b>	<b>LKR ('Mn)</b>	<b>LKR ('Mn)</b>	<b>LKR ('Mn)</b>
91 days	27.72%	28.86%	-114	35,000	127,930	62,453
182 Days	28.97%	29.24%	-27	27,500	29,761	10,037
364 Days	29.19%	29.53%	-34	25,000	33,009	15,010
<b>Date of Settlement</b>	<b>5-Aug-22</b>			<b>87,500</b>	<b>190,700</b>	<b>87,500</b>

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