



First Capital

WEEKLY GOVERNMENT SECURITIES MARKET

First Capital Research

September 14, 2022

For the week 08.09.2022-14.09.2022

"T-Bill yields trimmed down across the board"

Weekly Yield Movement & Volume

Secondary market yield curve edged up towards the end of the week mainly on mid-long tenor maturities amidst the results of T-Bond auction as higher yields were quoted by the market participants in the auction. However, T-Bill yields trimmed down across the board despite getting fully accepted after 1-month.

As the week commenced, the secondary market witnessed lackluster activities. However, post bond and bill auctions, market displayed mixed sentiment mainly on auction yields. In the primary market, investor interest was clustered on the longer tenor maturity posting greater reception at the bond auction with bids for 01.07.32 maturity recording more than 100% of the offer. Accordingly, Weekly T-Bill auction witnessed a high concentration of bids towards the 03M maturity as the market participants displayed a greater deal of uncertainty over the debt restructuring.

Moreover, the bond auction attracted only 65.0% of successful bids out of the total offered amount of LKR 75.0Bn. The offered amount of LKR 30.0Bn for 01.07.25 maturity recorded an acceptance of only 12.00% at a weighted average yield rate of 29.16% while the LKR 45.0Bn offered under 01.07.32 maturity was taken up in full at a weighted average yield of 29.96%.

At the LKR 80.0Mn bill auction, yields slumped across the board and was fully accepted with weighted average yields of 03M maturity registering at 32.71% (-18bps) while 06M and 01Yr maturities closed at 30.82% (-46bps) and 30.26% (-24bps), respectively.

In the Forex market, LKR depreciated against the greenback with the rupee recording at LKR 362.4 towards the end of the week compared to LKR 361.9 at the beginning of the week.

Liquidity & CBSL Holdings

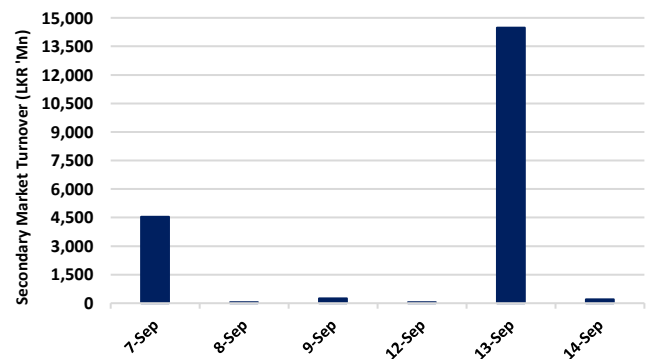
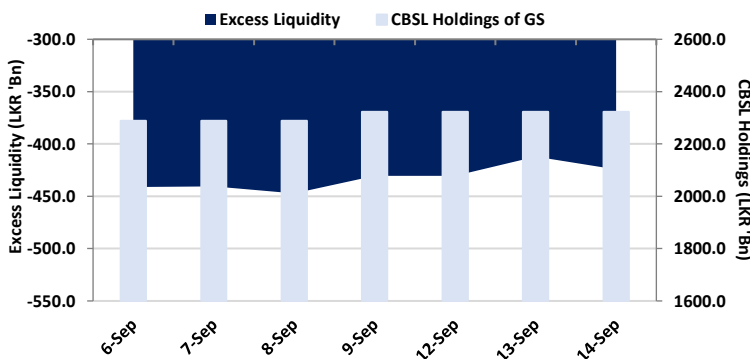
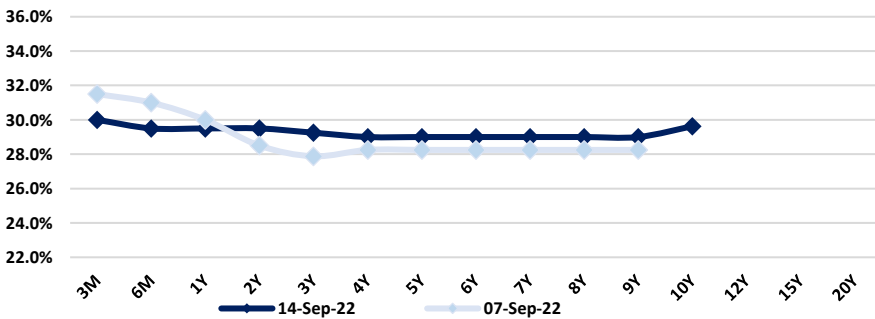
Market Liquidity marginally improved during the week. At the beginning of the week, excess liquidity was recorded at LKR -447.2Bn and improved to LKR -424.3Bn by the end of the week. Meanwhile, CBSL holdings slightly increased to LKR 2,322.7Bn compared to LKR 2,288.2Bn held at the beginning.

Foreign Interest

Foreign holding in government securities significantly increased by LKR 930.0Mn and recorded at LKR 4.9Bn whilst foreign holding percentage also improved to 0.04%.

Maturities for next week

The Government Securities market has to settle a Treasury bill maturity amounting to LKR 160.5Bn for the week ending 23rd Sep 2022.



TENURE	BID	OFFER
< 91 Days < 3M	30.50%	29.50%
< 182 Days < 6M	30.00%	29.00%
< 364 Days < 1Y	30.00%	29.00%
15-Mar-24 < 2Y	30.00%	29.00%
01-Jul-25 < 3Y	29.50%	29.00%
01-Feb-26 < 4Y	29.50%	28.50%
15-Jan-27 < 5Y	29.50%	28.50%
15-Jan-28 < 6Y	29.50%	28.50%
01-Jan-29 < 7Y	29.50%	28.50%
15-May-30 < 8Y	29.50%	28.50%
15-May-31 < 9Y	29.50%	28.50%
01-Jul-32 < 10Y	29.75%	29.50%
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	9-Sep-22	2-Sep-22
1 Year	3.67%	3.47%
2 Year	3.56%	3.40%
5 Year	3.45%	3.30%
10 Year	3.33%	3.20%
30 Year	3.47%	3.35%

MARKET INTEREST RATES	9-Sep-22	Last Month
AWPLR	26.27%	25.76%

	This Week	Last Week
FD Ceiling Rate(1Yr)	31.99%	31.66%

MONEY MARKET RATES	High	Low
Call Money	N/A	N/A
Repo Rates	15.50%	15.50%

Daily Summary

Thursday (08.09.22): Secondary market activities came to a complete standstill with no trades during the day as investors raised concerns on the domestic debt restructuring awaiting for further clarity on the same. Meanwhile, CBSL announced a LKR 75.0Bn bond auction scheduled to take place on the 13th Sep 2022 where LKR 30.0Bn and LKR 45.0Bn was issued under the 18.00%2025'A' and 18.00%2032'A' series, respectively.

Friday (09.09.22): Bonds wrapped up the week preserving its standstill mode as the market participants continued to stay on the side lines, seeking direction from the bond auction. Moreover, CBSL announced LKR 80.0Bn worth of T-Bills via its weekly bill auction with LKR 35.0Bn offered on 91 days, LKR 25.0Bn on 182 days and LKR 20.0Bn on 364 days. In the forex market, USD/ LKR spot middle exchange rate marginally depreciated to LKR 362.0 against the previous level of LKR 361.9.

Monday (12.09.22): The secondary market remained inactive as investors waited on the sidelines awaiting for further direction from the LKR 75.0Bn Treasury bond auction.

Tuesday (13.09.22): The bond auction attracted only 65.0% of successful bids out of the total offered amount of LKR 75.0Bn. The offered amount of LKR 30.0Bn for 01.07.25 maturity recorded an acceptance of only 12.0% at a weighted average yield rate of 29.16% while the LKR 45.0Bn offered under 01.07.32 maturity was taken up in full at a weighted average yield of 29.96%. Investor interest was clustered on the longer tenor maturity posting greater reception with bids recording more than 100% of the offer. During the post bond auction session, 2-way quotes for 01.07.25 maturity hovered at 29.50% / 29.00% while 01.07.32 maturity quoted at 29.75% / 29.50%.

Wednesday (14.09.22): After nearly a month, T-Bill auction yields slumped across the board while the auction was fully accepted with great reception for 03M maturity where 99% of the total offered was accepted from the 03M maturity. Following the auction, weighted average yields of 03M maturity registered at 32.71% (-18bps) while 06M and 01Yr maturities closed at 30.82% (-46bps) and 30.26% (-24bps), respectively. However, post auction, 03M maturity traded at 30.00% while 02M maturity traded at 28.00% with perceptible buying interest although volumes remained thin amidst limited activities.

OUTSTANDING STOCK	7-Sep-22	Previous Week	Change (%)
T-Bills [LKR 'Mn]	3,524,425	3,486,030	1.1%
T-Bonds [LKR 'Mn]	8,320,951	8,258,438	0.8%
TOTAL	11,845,376	11,744,468	0.9%
T-Bills & T-Bonds held by Foreigners			
Foreign Holding [LKR 'Mn]	4,942	4,012	23.2%
Foreign Holding (%)	0.04%	0.03%	
MATURITY TABLE FOR NEXT WEEK		WEEK ENDING	23-Sep-22
Type	LKR ('Mn)	USD ('Mn)	
T-Bills	160,495		
T-Bonds			
T-Bond Interest			
SLDBs/Sovereign Bonds		0	
TOTAL	160,495	0	

T-BILL AUCTION				Week Ending 16-Sep-22		
Tenure	Current	Previous	Change	Offered	Bids	Accepted
	14-Sep-22	07-Sep-22	(bps)	LKR ('Mn)	LKR ('Mn)	LKR ('Mn)
91 days	32.71%	32.89%	-18	35,000	135,736	78,881
182 Days	30.82%	31.28%	-46	25,000	25,433	523
364 Days	30.26%	30.50%	-24	20,000	21,554	596
Date of Settlement			16-Sep-22	80,000	182,723	80,000

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