



First Capital

WEEKLY GOVERNMENT SECURITIES MARKET

First Capital Research

September 21, 2022

For the week 15.09.2022-21.09.2022

"Yield curve rests stable over dreary investor interest"

Weekly Yield Movement & Volume

Secondary market yield curve remained broadly stable over the week as investor interest toned down while activities were mostly centered on 01M-02M bills and 10Yr bond amidst thin volumes. Moreover, T-Bill yields edged down further across the board for the second consecutive auction.

Following the outcome of the last T-Bond auction, buying interest was witnessed on 2032 maturity during the week and trades took place at 29.50% level while some selling appetite was observed on the same maturity towards the latter part of the week. Moreover, 01M and 02M maturities too traded during the week within a range of 25.00%-28.00%. However, as the week progressed investor interest was toned down with limited activities and volumes continuing to remain thin.

The primary market yields further trimmed down at the bill auction, while the secondary market yields remained broadly unchanged. Accordingly, the total offered T-Bill amount of LKR 65.0Bn was fully accepted with 85.2% being accepted from 03M T-Bill. Moreover, weighted average yields of 03M, 06M and 01Y T-Bills were cut down to 31.95% (-76bps), 30.63% (-19bps) and 29.87% (-39bps), respectively.

In the Forex market, LKR depreciated against the greenback with the rupee recording at LKR 362.9 towards the end of the week compared to LKR 362.5 at the beginning of the week.

Liquidity & CBSL Holdings

Market Liquidity displayed an improvement during the week amidst slight volatility. At the beginning of the week, excess liquidity was recorded at LKR -402.2Bn and improved to LKR -394.0Bn by the end of the week. Meanwhile, CBSL holdings slightly reduced to LKR 2,361.6Bn compared to LKR 2,373.4Bn held at the beginning.

Foreign Interest

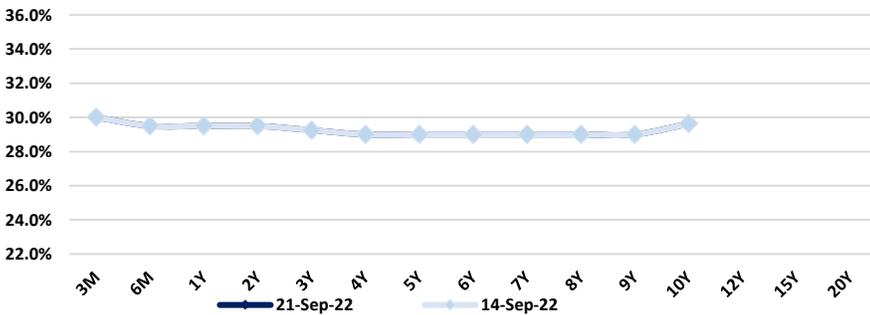
Foreign holding in government securities significantly increased by LKR 3.0Bn and recorded at LKR 7.9Bn whilst foreign holding percentage also improved to 0.07%.

Maturities for next week

The Government Securities market has to settle a Treasury bill maturity amounting to LKR 152.6Bn for the week ending 30th 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

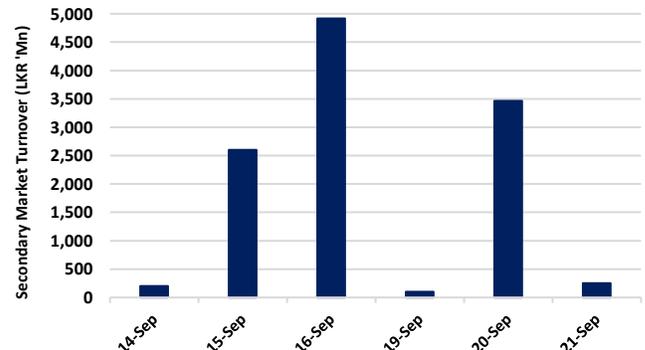
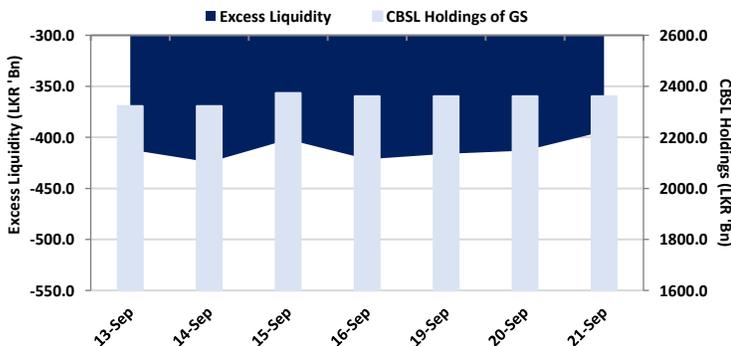
US TREASURIES	16-Sep-22	9-Sep-22
1 Year	3.96%	3.67%
2 Year	3.85%	3.56%
5 Year	3.62%	3.45%
10 Year	3.45%	3.33%
30 Year	3.52%	3.47%



MARKET INTEREST RATES	9-Sep-22	Last Month
AWPLR	25.51%	25.76%

	This Week	Last Week
FD Ceiling Rate(1Yr)	32.27%	31.99%

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



Daily Summary

Thursday (15.09.22): As the longer tenor maturity displayed a high concentration of bids at the bond auction held on 13th Sep, 2032 maturity witnessed buying interest and was traded up to 29.50% during the day. Meanwhile on the short end of the curve, 01M to 02M maturities were traded within a range of 25.00%-28.00%. Moreover, CBSL advanced the Monetary policy review to 06th Oct-22, which was previously scheduled to be held on 13th Oct-22.

Friday (16.09.22): Despite the resurgence in buying interest witnessed during previous trading sessions, bond market concluded the week on a muted note while recording low activities and volumes during the day. In the midst of thin trading, activity was mainly skewed towards 01.07.32 maturity at 29.50%. Meanwhile, on the economic front, manufacturing PMI (Purchasing Managers' Index) recorded an index value of 49.6 in Aug-22, up from Jul-22, yet at slightly below the neutral threshold level while services PMI returned to the growth territory in Aug- 22, recording an index value of 51.7 after declining for 04 consecutive months.

Monday (19.09.22): A dull day of trading was observed on the secondary market as lackluster investor interest was noted on mid and long term maturities. However, thin volumes were visible on 01M treasury bill, where bids were received around 26.0% levels. Meanwhile, CBSL announced the weekly bill auction, where a total of LKR 65.0Bn is scheduled to be raised with LKR 28.0Bn offered for 91 day maturity, LKR 20.0Bn for 182 day and LKR 17.0Bn for 364 day maturity.

Tuesday (20.09.22): The secondary market yield curve remained broadly static owing to minimal trades and thin volumes occurred during the day. Meanwhile, during the morning session, 01.07.32 maturity changed hands at 29.30%. However, with the emergence of selling appetite, the said maturity hovered around 29.50% during the latter half of the session. The weekly bill auction with a total offer of LKR 65.0Bn is scheduled to be held on 21st Sep.

Wednesday (21.09.22): The primary market yields further trimmed down at the bill auction, while the secondary market yields remained broadly unchanged. Accordingly, the total offered T-Bill amount of LKR 65.0Bn was fully accepted with 85.2% being accepted from 03M T-Bill. Moreover, weighted average yields of 03M, 06M and 01Y T-Bills were cut down to 31.95% (-76bps), 30.63% (-19bps) and 29.87% (-39bps), respectively. Meanwhile, in the secondary market, investor interest witnessed towards 01.07.32 maturity which traded within the range of 29.30%-29.40% although volumes remained thin amidst limited activities.

OUTSTANDING STOCK	14-Sep-22	Previous Week	Change (%)
T-Bills [LKR 'Mn]	3,546,825	3,524,425	0.6%
T-Bonds [LKR 'Mn]	8,330,086	8,320,951	0.1%
TOTAL	11,876,911	11,845,376	0.3%

T-Bills & T-Bonds held by Foreigners			
Foreign Holding [LKR 'Mn]	7,924	4,942	60.3%
Foreign Holding (%)	0.07%	0.04%	

MATURITY TABLE FOR NEXT WEEK		WEEK ENDING	30-Sep-22
Type	LKR ('Mn)	USD ('Mn)	
T-Bills	152,593		
T-Bonds			
T-Bond Interest			
SLDBs/Sovereign Bonds		0	
TOTAL	152,593	0	

T-BILL AUCTION				Week Ending		23-Sep-22
Tenure	Current	Previous	Change	Offered	Bids	Accepted
	21-Sep-22	14-Sep-22	(bps)	LKR ('Mn)	LKR ('Mn)	LKR ('Mn)
91 days	31.95%	32.71%	-76	28,000	100,927	55,412
182 Days	30.63%	30.82%	-19	20,000	21,603	4,358
364 Days	29.87%	30.26%	-39	17,000	20,116	5,230
Date of Settlement	23-Sep-22			65,000	142,646	65,000

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