



First Capital

WEEKLY GOVERNMENT SECURITIES MARKET

First Capital Research

October 5, 2022

For the week 29.09.2022-05.10.2022

"CBSL maintains policy rates at the current level"

Weekly Yield Movement & Volume

During the week, the secondary market yields slightly scaled down predominantly on mid to long tenor maturities in the midst of improved buying interest after higher yields were registered in the primary market T-Bond auction.

The Monetary Board of the Central Bank of Sri Lanka, at its meeting held on 05th Oct-22, decided to maintain the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) of the Central Bank at their current levels of 14.50% and 15.50%, respectively. In the beginning of the week, following the higher yields in the primary bond auction, buying interest surfaced in the secondary market and continued to persist throughout the week, reflecting reinstated investor confidence while activities were majorly centered on the last auction maturities.

At the primary bond auction, Yields across all maturities crossed the 30.0% level with 01.07.25 maturity closing at a weighted average yield rate of 30.95% amidst a relatively low acceptance level of 63.8% while 15.01.28 maturity closed at a weighted average yield rate of 31.50% with a 90.9% acceptance. However, long tenor maturity 01.07.32 witnessed greater investor interest with bids recording above 100% of the offer and was accepted fully at a weighted average yield rate of 30.09%.

Meanwhile, at the T-bill auction, the total offered T-Bill amount of LKR 85.0Bn was fully accepted with 89.9% being accepted from 03M T-Bill. Moreover, the weighted average yields of 03M and 06M T-Bills advanced to 32.34% (+40bps) and 30.61% (+2bps), respectively while benchmark 01Yr T-Bill lowered by 10bps to 29.75%.

In the Forex market, LKR remained broadly steady against the greenback with the rupee maintained at LKR 362.9 throughout the week.

Liquidity & CBSL Holdings

Market Liquidity remained negative but displayed a slight improvement. At the beginning of the week, excess liquidity was recorded at LKR -414.4Bn and improved to LKR -363.7Bn by the end of the week. Meanwhile, CBSL holdings slightly rose to LKR 2,367.0Bn compared to LKR 2,321.1Bn held at the beginning.

Foreign Interest

Foreign holding in government securities significantly increased by LKR 6.4Bn and recorded at LKR 22.2Bn whilst foreign holding percentage also improved to 0.2%.

Maturities for next week

The Government Securities Market has to settle a Treasury bill maturity amounting to LKR 153.2Bn and T-Bond coupon interest amounting to LKR 14.7Bn for the week ending 14th Oct 2022.

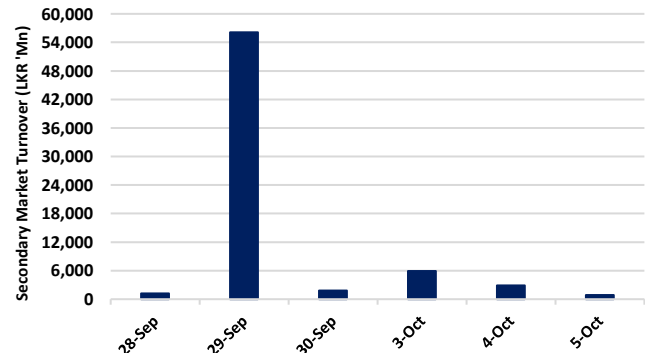
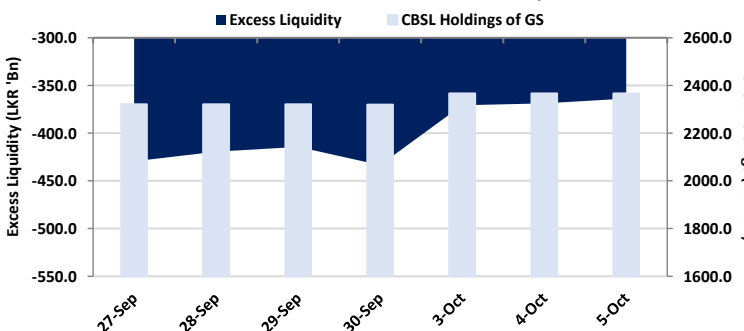
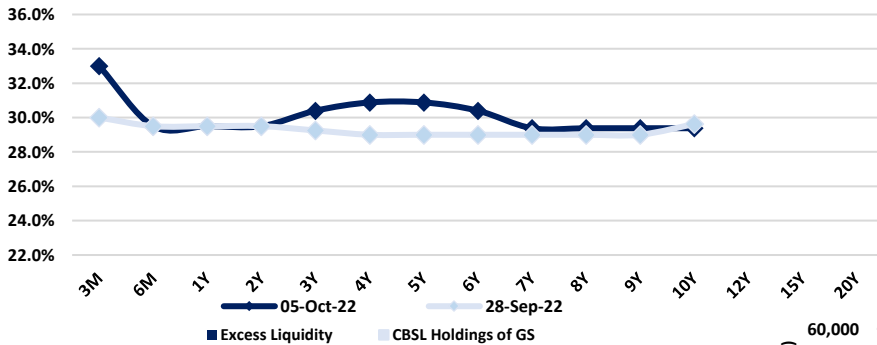
TENURE	BID	OFFER
< 91 Days < 3M	33.50%	32.50%
< 182 Days < 6M	30.00%	29.00%
< 364 Days < 1Y	30.00%	29.00%
15-Mar-24 < 2Y	30.00%	29.00%
01-Jul-25 < 3Y	30.50%	30.30%
01-Feb-26 < 4Y	31.00%	30.75%
15-May-27 < 5Y	31.00%	30.75%
15-Jan-28 < 6Y	30.50%	30.30%
01-Jan-29 < 7Y	29.50%	29.25%
15-May-30 < 8Y	29.50%	29.25%
15-May-31 < 9Y	29.50%	29.25%
01-Jul-32 < 10Y	29.50%	29.25%
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	30-Sep-22	23-Sep-22
1 Year	4.05%	4.15%
2 Year	4.22%	4.20%
5 Year	4.06%	3.96%
10 Year	3.83%	3.69%
30 Year	3.79%	3.61%

MARKET INTEREST RATES	30-Sep-22	Last Month
AWPLR	25.95%	25.76%

	This Week	Last Week
FD Ceiling Rate(1Yr)	32.12%	32.28%

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



Daily Summary

Thursday (29.09.22): At the primary bond auction, Yields across all maturities crossed the 30.0% level with 01.07.25 maturity closing at a weighted average yield rate of 30.95% amidst a relatively low acceptance level of 63.8% while 15.01.28 maturity closed at a weighted average yield rate of 31.50% with a 90.9% acceptance. However, long tenor maturity 01.07.32 witnessed greater investor interest with bids recording above 100% of the offer and was accepted fully at a weighted yield rate of 30.09%. Following higher yields in the primary auction, in the secondary market during the post-auction session, buying appetite was witnessed as 01.07.25 maturity was quoted at 31.00% and 31.50% while 15.01.28 traded in the range of 32.00%-31.50% while 01.07.32 traded within the range of 30.00%-29.75%.

Friday (30.09.22): Following the primary market auctions, secondary bond market witnessed some buying interest amidst high yields, reflecting a slow revival in investor activities as confidence reinstated. Accordingly, 01.07.25 maturity traded within the range of 31.10%-30.96%. Moreover, 15.01.28 traded within the range of 31.30%-31.20% while 01.07.32 was seen trading at 30.0%. Although activities relatively accelerated, volumes remained thin throughout the session.

Monday (03.10.22): The secondary bond market witnessed revitalized buying interest during the day's proceedings, where buying was mainly centered on the recent auction maturities. 01.07.25 maturity exchanged hands between 30.90%-30.77% whilst 15.01.28 maturity changed hands between 31.05%-30.90% and 01.07.32 maturity traded between 29.75%-29.55%. However, overall volumes continued to remain low during the day.

Tuesday (04.10.22): The secondary market yields edged down predominantly on the mid-long end of the curve aided by the persistent buying interest clustered on the maturities offered in the most recent bond auction. Accordingly, both 01.07.25 and 15.01.28 maturities changed hands in the range of 30.75%-30.40% while traded volumes remained low. Moreover, CBSL announced an issue of LKR 85.0Bn worth of bills at the weekly auction scheduled to be held on 05th Oct-22.

Wednesday (05.10.22): During the early hours of trading in the secondary market, 01.07.25 and 15.01.28 maturities changed hands at around 30.40% level in the midst of limited activities and low volumes ahead of the monetary policy review announcement. Meanwhile, at the T-bill auction, the total offered T-Bill amount of LKR 85.0Bn was fully accepted with 89.9% being accepted from 03M T-Bill. Moreover, the weighted average yields of 03M and 06M T-Bills advanced to 32.34% (+40bps) and 30.61% (+2bps), respectively while benchmark 01Yr T-Bill lowered by 10bps to 29.75%.

OUTSTANDING STOCK	28-Sep-22	Previous Week	Change (%)
T-Bills [LKR 'Mn]	3,630,080	3,615,575	0.4%
T-Bonds [LKR 'Mn]	8,451,191	8,451,191	0.0%
TOTAL	12,081,271	12,066,766	0.1%
T-Bills & T-Bonds held by Foreigners			
Foreign Holding [LKR 'Mn]	22,173	15,769	40.6%
Foreign Holding (%)	0.2%	0.1%	
MATURITY TABLE FOR NEXT WEEK		WEEK ENDING	14-Oct-22
Type	LKR ('Mn)	USD ('Mn)	
T-Bills	153,196		
T-Bonds			
T-Bond Interest	14,701		
SLDBs/Sovereign Bonds		0	
TOTAL	167,897	0	

T-BILL AUCTION				Week Ending 7-Oct-22		
Tenure	Current	Previous	Change	Offered	Bids	Accepted
	05-Oct-22	28-Sep-22	(bps)	LKR ('Mn)	LKR ('Mn)	LKR ('Mn)
91 days	32.34%	31.94%	40	30,000	86,595	76,421
182 Days	30.61%	30.59%	2	30,000	31,253	4,226
364 Days	29.75%	29.85%	-10	25,000	27,583	4,353
Date of Settlement	7-Oct-22			85,000	145,431	85,000

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First Capital

First Capital Holdings PLC

No.2, Deal Place,
Colombo 3

Tel: +94 11 2145 000
Fax: +94 11 2145 050

RESEARCH

Dimantha Mathew	+94 11 2639 853	Tharusha Ashokgar	+94 11 2639 866
Ranjan Ranatunga	+94 11 2639 863	Zaeema Jihan	+94 11 2639 863
Vidushika Perera	+94 11 2639 865		

GOVERNMENT SECURITIES SALES

Anjelo Simmons	+94 77 3031 636	Neminda Jayawardena	+94 76 6644 080
Anushka Dissanayake	+94 77 2220 021	Arun Kandasamy	+94 75 4861 506
Anushi Ranawaka	+94 77 3876 819		

CORPORATE DEBT SALES

Tharusha Ekanayake	+ 94 77 7 809 154
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EQUITY SALES

CEO	Jaliya Wijeratne	+94 70 2910 042
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Colombo

Rasika Indra Kumara	+94 77 7072 698	Chandika Jayawardana	+94 77 3940 070
Isuru Jayawardena	+94 76 7084 953	Anjelo LaBrooy	+94 77 7546 645
Nishantha Mudalige	+94 70 2910 041	Dillon Lowe	+94 76 616 0647
Ifadh Marikar	+94 77 9625 679	Evelyn John	+94 77 779 2452
Anushka Buddhika	+94 71 4310 600	Yudheshan Kannadasan	+94 77 415 5809
Thushara Pathiraja	+94 70 2910 037		

Negombo

Priyanka Anuruddha	+94 70 2910 035	Priyantha Wijesiri	+94 70 2910 036
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UNIT TRUST SALES

Kavin Karunamoorthy	+94 77 0328 060	Imali Abeygunawardena	+94 77 1764 799
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BRANCHES

Kandy CSE Branch Office, No. 88, Dalada Veediya, Kandy 20000.	Kurunegala No.174/B2, Negombo Road, Kurunegala. Kurunegala 60000.	Matara CSE Branch Office, 1 st Floor, E.H.Cooray Tower, No.24, Anagarika Dharmapala Mawatha, Matara 81000.	Negombo Colombo Stock Exchange Negombo Branch Office, No. 72 A, 2/1, Old Chilaw Road, Negombo 11500.
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Manager: Salinda Samarakoon Tel: +94 81 2236 010	Manager: Tel: +94 37 2222 930	Manager: Rohana Jayakody Tel: +94 41 2222 988	Manager: Tel: +94 31 4937 072
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