



First Capital

# WEEKLY GOVERNMENT SECURITIES MARKET

First Capital Research

October 12, 2022

For the week 06.10.2022-12.10.2022

## "Auction yields edged up yet another week"

### Weekly Yield Movement & Volume

The secondary market remained dull and displayed limited activities throughout the week as the market participants continued to stay on the sidelines, seeking further directions upon the scheduled primary auctions.

In the beginning, as the CBSL decided to maintain the SDFR, SLFR and SRR at their current levels, selling interest emerged mainly on the mid to long tenor maturities 01.07.25, 15.01.28 and 01.07.32. However, as the week progressed market remained subtle and exhibited a complete standstill as the market participants opted to stay on the sidelines ahead of the LKR 30.0Bn T-Bond auction scheduled to be held on 13<sup>th</sup> Oct 2022.

Meanwhile at the bill auction, only 67.0% of the total offered amount of LKR 90.0Bn was accepted with yields of 03M and 06M T-Bills further advancing to 33.05% (+71bps) and 32.53% (+192bps), respectively while benchmark 01Yr T-Bill lowered by 15bps to 29.60%.

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 and continued to deteriorate during the week. At the beginning of the week, excess liquidity was recorded at LKR -353.5Bn and declined to LKR -375.6Bn by the end of the week. Meanwhile, CBSL holdings slightly skid to LKR 2,356.5Bn compared to LKR 2,367.0Bn held at the beginning.

### Foreign Interest

Foreign holding in government securities significantly increased by LKR 0.4Bn and recorded at LKR 22.6Bn whilst foreign holding percentage remained unchanged at 0.2%.

### Maturities for next week

The Government Securities market has to settle a Treasury bill maturity amounting to LKR 144.8Bn for the week ending 21<sup>st</sup> Oct 2022.

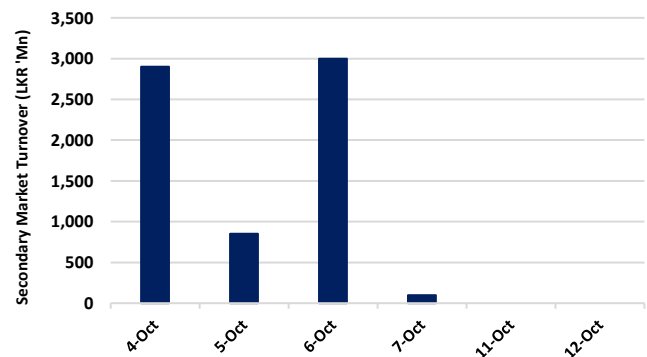
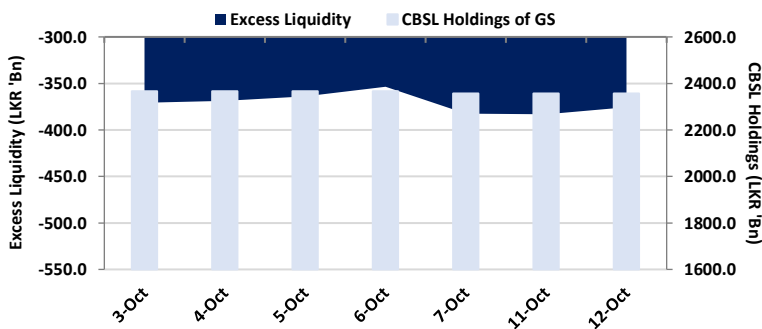
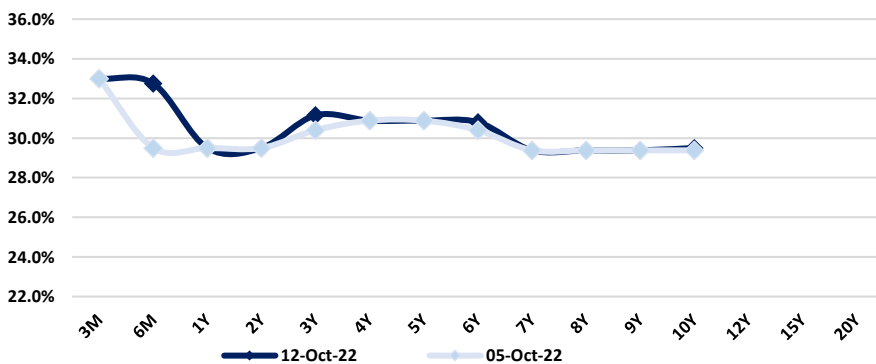
TENURE	BID	OFFER
< 91 Days < 3M	33.50%	32.50%
< 182 Days < 6M	33.00%	32.50%
< 364 Days < 1Y	30.00%	29.00%
15-Mar-24 < 2Y	30.00%	29.00%
01-Jul-25 < 3Y	31.50%	30.80%
01-Feb-26 < 4Y	31.00%	30.75%
15-May-27 < 5Y	31.00%	30.75%
15-Jan-28 < 6Y	30.90%	30.70%
01-Jan-29 < 7Y	29.50%	29.25%
15-May-30 < 8Y	29.50%	29.25%
15-May-31 < 9Y	29.50%	29.25%
01-Jul-32 < 10Y	29.60%	29.40%
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	7-Oct-22	30-Sep-22
1 Year	4.24%	4.05%
2 Year	4.30%	4.22%
5 Year	4.14%	4.06%
10 Year	3.89%	3.83%
30 Year	3.86%	3.79%

MARKET INTEREST RATES	7-Oct-22	Last Month
AWPLR	26.70%	25.95%

	This Week	Last Week
FD Ceiling Rate(1Yr)	31.93%	32.12%

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



## Daily Summary

**Thursday (06.10.22):** The Monetary Board of the Central Bank of Sri Lanka decided to maintain the SDFR, SLFR and SRR of the Central Bank at their current levels of 14.50%, 15.50% and 4.00%, respectively, with the consideration of mitigating aggregate demand pressures over inflation worries. In response to the outcome of the policy meeting, investor interest took a shift as selling interest emerged in the secondary market predominantly on the recent auction maturities 01.07.25, 15.01.28 and 01.07.32. Accordingly, 15.01.28 traded in the range of 31.00%-31.10%. However, during the latter part of the day a slight buying interest resurfaced and in consequence, 01.07.32 traded in the range of 29.60%-29.50%.

**Friday (07.10.22):** Bonds wrapped up the day on a standstill note as the market participants continued to stay on the sidelines, seeking clarity on the debt restructuring. Meanwhile, CBSL announced a LKR 30.0Bn bond auction scheduled to take place on the 13<sup>th</sup> Oct 2022 where LKR 12.5Bn and LKR 17.5Bn was issued under 01.07.25 and 15.07.29 maturities, respectively.

**Tuesday (11.10.22):** The bond market displayed a dull start as the market activities exhibited a complete standstill ahead of the weekly T-Bill auction. Accordingly, CBSL announced an issue of LKR 90.0Bn worth of bills at the auction.

**Wednesday (12.10.22):** The secondary market activities remained mostly at a standstill ahead of the LKR 30.0Bn T-Bond auction scheduled to be held on 13<sup>th</sup> Oct 2022. Meanwhile at the bill auction, only 67.0% of the total offered amount of LKR 90.0Bn was accepted with yields of 03M and 06M T-Bills further advancing to 33.05% (+71bps) and 32.53% (+192bps), respectively while benchmark 01Yr T-Bill lowered by 15bps to 29.60%.

OUTSTANDING STOCK	5-Oct-22	Previous Week	Change (%)
T-Bills [LKR 'Mn]	3,691,693	3,630,080	1.7%
T-Bonds [LKR 'Mn]	8,470,793	8,451,191	0.2%
<b>TOTAL</b>	<b>12,162,486</b>	<b>12,081,271</b>	<b>0.7%</b>
<b>T-Bills &amp; T-Bonds held by Foreigners</b>			
Foreign Holding [LKR 'Mn]	22,586	22,173	1.9%
Foreign Holding (%)	0.2%	0.2%	
MATURITY TABLE FOR NEXT WEEK		WEEK ENDING	21-Oct-22
Type	LKR ('Mn)	USD ('Mn)	
T-Bills	144,799		
T-Bonds			
T-Bond Interest			
SLDBs/Sovereign Bonds		0	
<b>TOTAL</b>	<b>144,799</b>	<b>0</b>	

T-BILL AUCTION				Week Ending 14-Oct-22		
Tenure	Current	Previous	Change	Offered	Bids	Accepted
	12-Oct-22	05-Oct-22	(bps)	LKR ('Mn)	LKR ('Mn)	LKR ('Mn)
91 days	33.05%	32.34%	71	40,000	79,975	52,139
182 Days	32.53%	30.61%	192	25,000	25,475	7,657
364 Days	29.60%	29.75%	-15	25,000	25,480	511
<b>Date of Settlement</b>	<b>14-Oct-22</b>			<b>90,000</b>	<b>130,930</b>	<b>60,307</b>

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