



First Capital

WEEKLY GOVERNMENT SECURITIES MARKET

First Capital Research

October 19, 2022

For the week 13.10.2022-19.10.2022

"Yield curve rests broadly stable; muted sentiment extends"

Weekly Yield Movement & Volume

The secondary market yield curve remained broadly unchanged during the week as investor interest was seen to be toned down while activities were limited and volumes remained thin.

As the week began, activities in the secondary market took a dull sentiment as investors took a cautious stance and sought further clarity on the fiscal side developments. In the midst of minimal activities, following the primary market auctions, slight selling interest spanned on mid-long tenor maturities.

The bond auction was undersubscribed as only 81% of the total offered amount was accepted with 01.07.25 maturity registering an acceptance of 54% from the total offered while weighted average yield rate was recorded at 31.93% which is an uptick of 98bps compared to the previous auction. However, mid tenor maturity 15.07.29 attracted greater reception and was fully accepted at a weighted average yield rate of 30.85%.

Meanwhile, at the primary bill auction, yields remained steady across the board while only LKR 16.1Bn was accepted from the total offered of LKR 75.0Bn.

In the Forex market, LKR depreciated against the greenback with the rupee recorded at LKR 363.4 at the end of the week compared to LKR 362.9 at the beginning of the week.

Liquidity & CBSL Holdings

Market Liquidity remained negative but slightly improved during the week. At the beginning of the week, excess liquidity was recorded at LKR -392.8Bn and improved to LKR -374.1Bn by the end of the week. Meanwhile, CBSL holdings slightly skid to LKR 2,389.5Bn compared to LKR 2,356.5Bn held at the beginning.

Foreign Interest

Foreign holding in government securities remained broadly unchanged and recorded at LKR 22.6Bn whilst foreign holding percentage remained constant at 0.2%.

Maturities for next week

The Government Securities market has to settle a Treasury bill maturity amounting to LKR 155.3Bn for the week ending 28th Oct 2022.

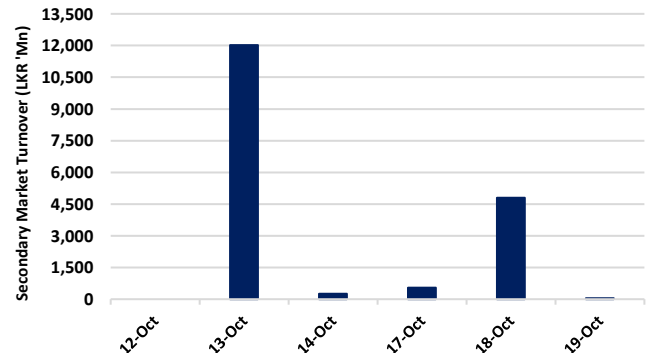
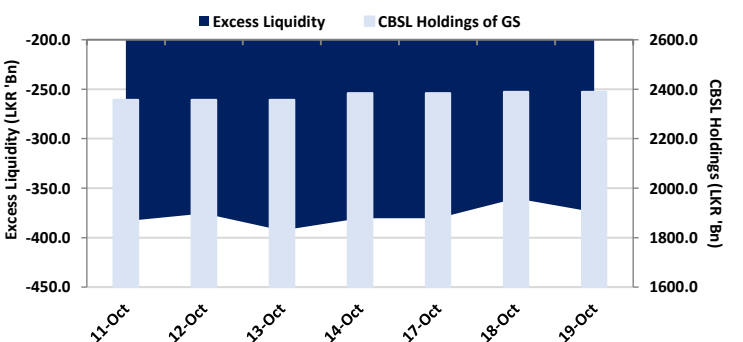
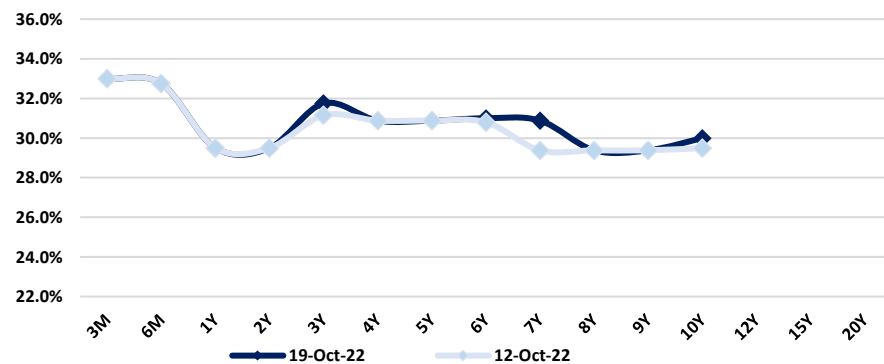
TENURE	BID	OFFER
< 91 Days < 3M	33.50%	32.50%
< 182 Days < 6M	33.00%	32.50%
< 364 Days < 1Y	30.00%	29.00%
15-Mar-24 < 2Y	30.00%	29.00%
01-Jul-25 < 3Y	32.00%	31.50%
01-Feb-26 < 4Y	31.00%	30.75%
15-May-27 < 5Y	31.00%	30.75%
15-Jan-28 < 6Y	31.25%	30.75%
15-Jul-29 < 7Y	31.00%	30.75%
15-May-30 < 8Y	29.50%	29.25%
15-May-31 < 9Y	29.50%	29.25%
01-Jul-32 < 10Y	30.20%	29.80%
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	14-Oct-22	7-Oct-22
1 Year	4.50%	4.24%
2 Year	4.48%	4.30%
5 Year	4.25%	4.14%
10 Year	4.00%	3.89%
30 Year	3.99%	3.86%

MARKET INTEREST RATES	14-Oct-22	Last Month
AWPLR	28.73%	25.95%

	This Week	Last Week
FD Ceiling Rate(1Yr)	31.77%	31.93%

MONEY MARKET RATES	High	Low
Call Money	15.50%	15.50%
Repo Rates	15.50%	15.50%



Daily Summary

Thursday (13.10.22): The bond auction was undersubscribed as only 81% of the total offered amount was accepted with 01.07.25 maturity registering an acceptance of 54% from the total offered while weighted average yield rate was recorded at 31.93% which is an uptick of 98bps compared to the previous auction. However, mid tenor maturity 15.07.29 attracted greater reception and was fully accepted at a weighted average yield rate of 30.85%. Post auction, in the secondary market 15.07.29 traded at 30.90% while activities continued to remain dreary amidst thin volumes.

Friday (14.10.22): The secondary bond market remained mute with investors remaining sidelined seeking further clarity on interest rates, as bond auction was undersubscribed whilst short tenor yields notably rose compared to the previous auction despite the longer tenors getting fully accepted by CBSL at a relatively lower yield.

Monday (17.10.22): Secondary market was at a complete standstill as investors waited on the sidelines looking for further direction from the discussion of the appropriation bill, which was presented to the parliament on 18th Oct-22. Meanwhile CBSL announced the weekly bill auction details, where a total of LKR 75.0Bn is expected to be raised.

Tuesday (18.10.22): The secondary bond market displayed a lackluster sentiment ahead of the weekly bill auction while generating thin volumes and limited activities. However, during the day some selling interest was witnessed in the mid-long tenor maturities where, 15.01.28 and 15.07.29 maturities changed hands at 31.00% while 01.07.32 maturity hovered at 29.90%.

Wednesday (19.10.22): T-Bill yields remained steady across the board at the primary auction while only LKR 16.1Bn was accepted from the total offered of LKR 75.0Bn. Moreover, post auction in the secondary market, 6M maturity was traded at 32.25% while the overall activities continued to take a lackluster sentiment as investors adopted a wait-and-see approach.

OUTSTANDING STOCK	12-Oct-22	Previous Week	Change (%)
T-Bills [LKR 'Mn]	3,707,318	3,691,693	0.4%
T-Bonds [LKR 'Mn]	8,470,793	8,470,793	0.0%
TOTAL	12,178,111	12,162,486	0.1%
T-Bills & T-Bonds held by Foreigners			
Foreign Holding [LKR 'Mn]	22,586	22,586	0.0%
Foreign Holding (%)	0.2%	0.2%	
MATURITY TABLE FOR NEXT WEEK		WEEK ENDING	28-Oct-22
Type	LKR ('Mn)	USD ('Mn)	
T-Bills	155,343		
T-Bonds			
T-Bond Interest			
SLDBs/Sovereign Bonds		0	
TOTAL	155,343	0	

T-BILL AUCTION				Week Ending 21-Oct-22		
Tenure	Current	Previous	Change	Offered	Bids	Accepted
	19-Oct-22	05-Oct-22	(bps)	LKR ('Mn)	LKR ('Mn)	LKR ('Mn)
91 days	33.05%	33.05%	0	30,000	62,768	14,356
182 Days	32.53%	32.53%	0	25,000	25,520	461
364 Days	29.60%	29.60%	0	20,000	20,492	1,306
Date of Settlement	21-Oct-22			75,000	108,780	16,123

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