



First Capital

# WEEKLY GOVERNMENT SECURITIES MARKET

First Capital Research

November 16, 2022

For the week 10.11.2022-16.11.2022

## "Yields trimmed down over possible contraction in interest rates"

### Weekly Yield Movement & Volume

After persistent lackluster activities in the bond market, slight buying interest was reinstated ahead of the T-Bill auction which resulted in a downward shift in yields predominantly on short tenor maturities.

As the week commenced, activities took a dull note with no significant activity enticed on any of the maturities. However, as the week progressed, secondary market activities refreshed as market participants displayed slight buying interest reversing the weeks of lackluster activities ahead of the T-Bill auction while activities were primarily witnessed on short tenor and 15.01.28 maturities. In the midst of CBSL's expectation on possible deceleration of interest rates in line with inflation, yields skid downwards predominantly on short tenor maturities. However, the overall market activities and traded volumes continued to remain subdued.

Meanwhile, at the bond auction, only 38.0% of the total offer of LKR 130.0Bn was accepted with total bids under 01.05.2027 maturity getting rejected in full. The weighted average yield rate for 15.11.2024 and 01.07.2032 maturities recorded at 33.01% and 30.86%, respectively.

At the primary T-Bill auction, yields across all maturities slumped down while the auction was accepted in full. 80% of the total offered was accepted from the 03M maturity which attracted larger interest with bids recorded over 100% of the offered. Accordingly, weighted average yields of 03M, 06M and 1Yr were registered at 33.06% (-8bps), 32.51%(-2bps) and 29.53%(-2bps), respectively.

In the Forex market, LKR was held steady against the greenback with the rupee recorded at LKR 363.5 throughout the week.

### Liquidity & CBSL Holdings

Market Liquidity remained negative but improved during the week. At the beginning of the week, excess liquidity was recorded at LKR -276.5Bn and improved to LKR -155.3Bn by the end of the week. Meanwhile, CBSL holdings increased to LKR 2,570.7Bn compared to LKR 2,442.7Bn held at the beginning.

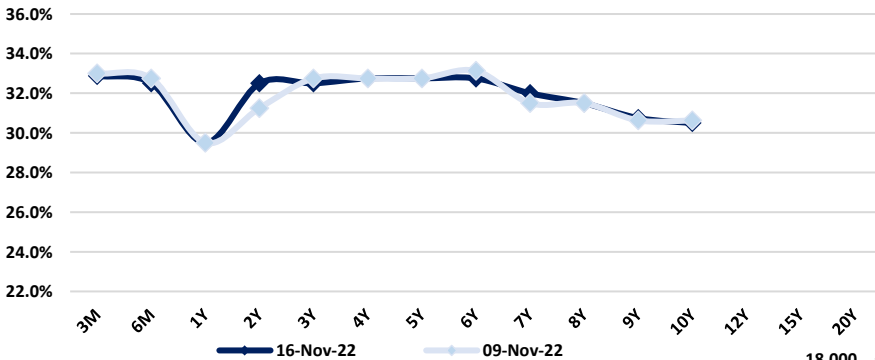
### Foreign Interest

Foreign holding in government securities marginally increased to LKR 24.9Bn whilst foreign holding percentage remained constant at 0.2%.

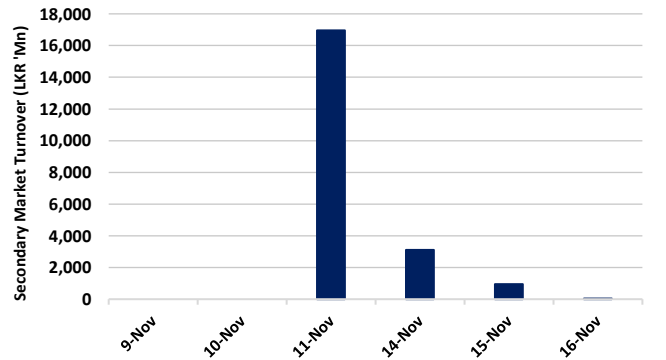
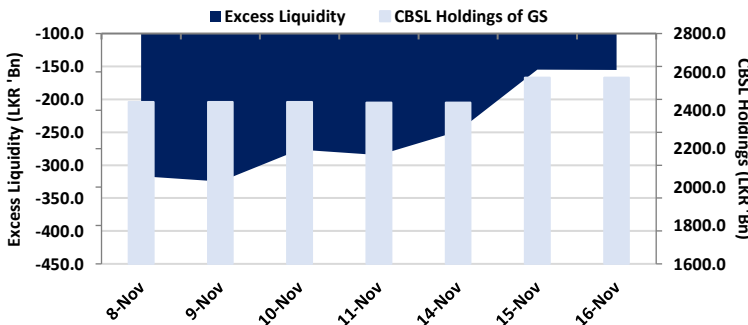
### Maturities for next week

The Government Securities market has to settle a Treasury bill maturity amounting to LKR 138.1Bn for the week ending 25<sup>th</sup> Nov-22.

TENURE	BID	OFFER
< 91 Days < 3M	33.25%	32.50%
< 182 Days < 6M	32.75%	32.25%
< 364 Days < 1Y	30.00%	29.00%
15-Nov-24 < 2Y	33.00%	32.00%
01-Jul-25 < 3Y	33.00%	32.00%
01-Feb-26 < 4Y	33.00%	32.50%
15-May-27 < 5Y	33.00%	32.50%
15-Jan-28 < 6Y	33.00%	32.50%
15-Jul-29 < 7Y	32.50%	31.50%
15-May-30 < 8Y	32.00%	31.00%
15-May-31 < 9Y	31.50%	30.00%
01-Jul-32 < 10Y	31.00%	30.00%
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	10-Nov-22	4-Nov-22
1 Year	4.59%	4.76%
2 Year	4.34%	4.66%
5 Year	3.95%	4.33%
10 Year	3.82%	4.17%
30 Year	4.03%	4.27%



MARKET INTEREST RATES	11-Nov-22	Last Month
AWPLR	28.54%	27.46%
	This Week	Last Week
FD Ceiling Rate(1Yr)	31.58%	31.59%
MONEY MARKET RATES	High	Low
Call Money	15.50%	15.50%
Repo Rates	15.50%	15.50%



## Daily Summary

**Thursday (10.11.22):** Despite previous marginal yield gain on the bill auction (1Yr), secondary market continued to remain inactive with no notable activity recorded during the day. Meanwhile, CBSL announced a T-Bond issue of LKR 130.0Bn through an auction.

**Friday (11.11.22):** The secondary market wrapped up the week with a complete standstill resting the yield curve on hold throughout the week. Meanwhile, at the bond auction, only 38.0% of the total offer of LKR 130.0Bn was accepted with total bids under 01.05.2027 maturity getting rejected in full. The weighted average yield rate for 15.11.2024 and 01.07.2032 maturities recorded at 33.01% and 30.86%, respectively.

**Monday (14.11.22):** Lackluster investor activity continued for yet another day as investors waited on the sidelines for direction from the national budget 2023, which was presented by the President Ranil Wickramasinghe at the parliament. Meanwhile on Friday, CBSL announced a bill auction worth LKR 80.0Bn, with LKR 30.0Bn expected to be raised from 91 days maturity whilst LKR 25.0Bn each is expected to be raised from 182 days and 364 days maturities.

**Tuesday (15.11.22):** The secondary bond market portrayed a slight buying appetite towards the shorter tenor maturities dismantling the prolonged silence ahead of the weekly bill auction. Accordingly, less than 3M maturities traded within a range of 29.50% - 28.50% while mid tenor 15.01.28 maturity changed hands at 33.00%. However, overall market activities and traded volumes continued to remain subdued.

**Wednesday (16.11.22):** At the primary T-Bill auction, yields across all maturities slumped down while the auction was accepted in full. 80% of the total offered was accepted from the 03M maturity which attracted larger interest with bids recorded over 100% of the offered. Accordingly, weighted average yields of 03M, 06M and 1Yr were registered at 33.06% (-8bps), 32.51%(-2bps) and 29.53%(-2bps), respectively. Meanwhile, activities remained dull in the secondary market with no notable trades during the day.

OUTSTANDING STOCK	9-Nov-22	Previous Week	Change (%)
T-Bills [LKR 'Mn]	3,803,029	3,781,888	0.6%
T-Bonds [LKR 'Mn]	8,561,844	8,559,173	0.0%
<b>TOTAL</b>	<b>12,364,873</b>	<b>12,341,061</b>	<b>0.2%</b>
<b>T-Bills &amp; T-Bonds held by Foreigners</b>			
Foreign Holding [LKR 'Mn]	24,878	24,844	0.1%
Foreign Holding (%)	0.2%	0.2%	
<b>MATURITY TABLE FOR NEXT WEEK</b>		<b>WEEK ENDING</b>	<b>25-Nov-22</b>
<b>Type</b>	<b>LKR ('Mn)</b>	<b>USD ('Mn)</b>	
T-Bills	138,054		
T-Bonds			
T-Bond Interest			
SLDBs/Sovereign Bonds		0	
<b>TOTAL</b>	<b>138,054</b>	<b>0</b>	

T-BILL AUCTION				Week Ending 18-Nov-22		
Tenure	Current	Previous	Change	Offered	Bids	Accepted
	16-Nov-22	09-Nov-22	(bps)	LKR ('Mn)	LKR ('Mn)	LKR ('Mn)
91 days	33.06%	33.14%	-8	30,000	81,398	64,162
182 Days	32.51%	32.53%	-2	25,000	32,988	14,712
364 Days	29.53%	29.55%	-2	25,000	25,762	1,126
<b>Date of Settlement</b>	<b>18-Nov-22</b>			<b>80,000</b>	<b>140,148</b>	<b>80,000</b>

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