



First Capital

WEEKLY GOVERNMENT SECURITIES MARKET

First Capital Research

November 23, 2022

For the week 17.11.2022-23.11.2022

"CBSL stance on policy rates unchanged; current levels to be maintained"

Weekly Yield Movement & Volume

Secondary market yield curve budged lower notably as buying interest strengthened over the week predominantly on mid-long tenor maturities as investor confidence improved.

The Monetary Board of the Central Bank of Sri Lanka, at its final review meeting for the year which was held on 23rd Nov-22, decided to maintain the Standing Deposit Facility Rate (SDFR) and Standing Lending Facility Rate (SLFR) of the Central Bank at their current levels of 14.50% and 15.50%, respectively. Meanwhile, in the secondary market buying interest was largely witnessed during the week possibly due to the improvement in banking system liquidity and speculations on a policy rate easing. Moreover, positive comments from the President with regards to domestic debt restructuring further boosted investor confidence. Accordingly, 2025, 2028 and 2032 maturities actively traded resulting a plunge in yields.

At the primary T-Bill auction, 93.6% of the total offered amount of LKR 80.0Bn was accepted with weighted average yields of 91 days, 182 days and 364 days T-Bills recording at 32.92% (-14bps), 32.45% (-6bps) and 29.52% (-1bps), respectively.

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

Liquidity & CBSL Holdings

Market Liquidity remained negative but slightly increased over the week. At the beginning of the week, excess liquidity was recorded at LKR -150.8Bn and rose to LKR -158.0Bn by the end of the week. Meanwhile, CBSL holdings reduced to LKR 2,559.6Bn compared to LKR 2,570.7Bn held at the beginning.

Foreign Interest

Foreign holding in government securities marginally increased by LKR 25.0Mn 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 142.0Bn and T-Bond interest amounting to LKR 23.1Bn for the week ending 02nd Dec-22.

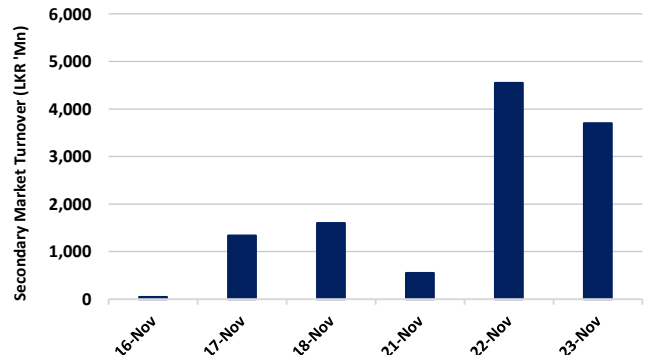
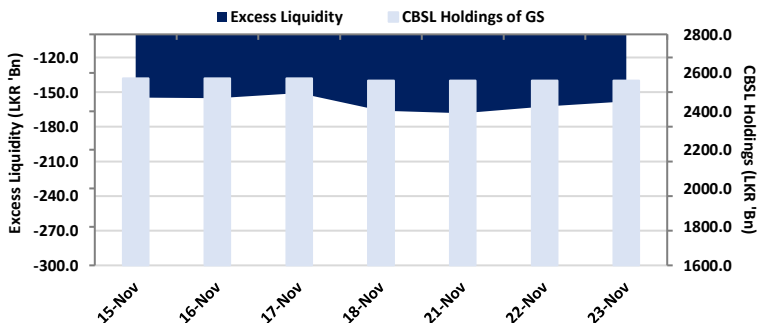
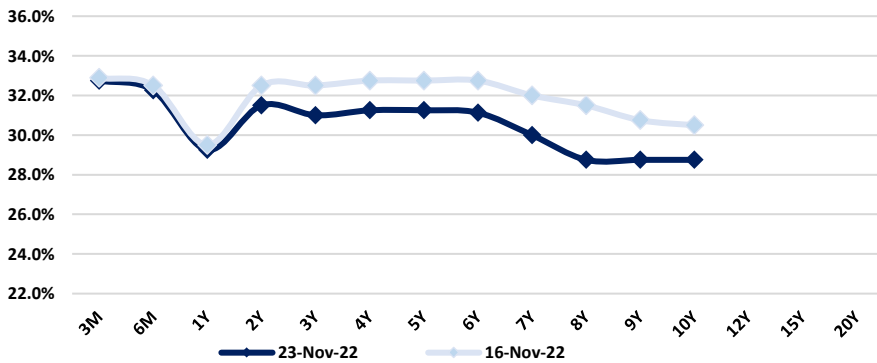
TENURE	BID	OFFER
< 91 Days < 3M	33.00%	32.50%
< 182 Days < 6M	32.50%	32.00%
< 364 Days < 1Y	29.50%	29.00%
15-Nov-24 < 2Y	32.00%	31.00%
01-Jul-25 < 3Y	31.25%	30.75%
01-Feb-26 < 4Y	31.50%	31.00%
15-May-27 < 5Y	31.50%	31.00%
15-Jan-28 < 6Y	31.50%	30.75%
15-Jul-29 < 7Y	30.50%	29.50%
15-May-30 < 8Y	29.00%	28.50%
15-May-31 < 9Y	29.00%	28.50%
01-Jul-32 < 10Y	29.00%	28.50%
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	18-Nov-22	10-Nov-22
1 Year	4.74%	4.59%
2 Year	4.51%	4.34%
5 Year	3.99%	3.95%
10 Year	3.82%	3.82%
30 Year	3.92%	4.03%

MARKET INTEREST RATES	18-Nov-22	Last Month
AWPLR	28.61%	27.46%

	This Week	Last Week
FD Ceiling Rate(1Yr)	31.56%	31.58%

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



Daily Summary

Thursday (17.11.22): The secondary market continued to display dull sentiment as investors continued to remain sidelined. Slight buying interest was witnessed in the secondary market predominantly on 15.01.28 maturity which traded at 32.60%, following the results of the T-Bill auction where yields trimmed down across the board after 8 consecutive weekly auctions resulting from CBSL's decision to ease liquidity shortage in the banking system while expecting a possible deceleration of interest rates in line with inflation.

Friday (18.11.22): Secondary bond market witnessed revitalized buying interest on mid tenure maturities, mainly focused on the 2028 maturity. Revitalized buying interest prevailed in the market was possibly due to improvement in banking system liquidity. Hence 15.01.2028 maturity observed thin volumes whilst trading between 32.25%-32.90%. Meanwhile, buying interest was also visible on short tenure treasury bills with trades taking place between 26.0%-32.0% levels. However, overall activity remained limited backed by thin volumes.

Monday (21.11.22): Market rates plunged amidst buying interest observed in the secondary market as investors speculate a policy easing from the monetary policy meeting scheduled for 24th-Nov 22. Furthermore, positive comments from President Ranil Wickramasinghe with regards to domestic debt restructuring also impacted the sentiment during the day. The plunge in rates was mainly centered on the 15.01.28 maturity, which traded during the day in the range of 32.25%-31.80%. Moreover, 01.07.25 maturity too witnessed a decline in rates and traded at 32.00% whilst 01.07.32 maturity traded at 30.00%.

Tuesday (22.11.22): Secondary market witnessed revitalized buying interest further strengthening compared to the previous session as some investors expected a policy easing in the Monetary Policy review meeting scheduled for the 24th Nov-22. As a result, trades took place on 01.07.25 maturity within a range of 31.75%-31.15% while 15.01.28 and 15.07.29 traded in the ranges of 31.50%-31.00% and 30.50%- 30.00%, respectively. Meanwhile, CBSL has announced to issue LKR 80.0Bn via the weekly bill auction where LKR 35.0Bn, LKR 25.0Bn and LKR 20.0Bn is expected to be raised from 03M, 06M and 1Yr maturities, respectively.

Wednesday (23.11.22): The secondary bond market continued the buying appetite that emerged over the past few days with multiple trades occurring in short, mid and long tenor maturities. Accordingly, secondary market yields continued to budge down hitting the intra-day low during the early hours of trading. Market yields for 01.07.25 maturity hovered in the range of 31.08%-30.60% while 15.01.28 and 15.07.29 maturities traded in the ranges of 30.85%-30.25% and 30.00%-29.75%, respectively. Moreover, 15.05.31 maturity changed hands at 28.50% while on the long end, 01.07.32 maturity traded within a range of 28.92%-28.30%. Meanwhile, at the weekly bill auction, 93.6% of the total offered amount of LKR 80.0Bn was accepted with weighted average yields of 91 days, 182 days and 364 days T-Bills recording at 32.92% (-14bps), 32.45% (-6bps) and 29.52% (-1bps), respectively. However, following the results of the bill auction, secondary market yields witnessed an uptick from its intra-day low levels. Furthermore, CBSL is expected to announce its monetary policy review outcome on 24th Nov-22.

OUTSTANDING STOCK	16-Nov-22	Previous Week	Change (%)
T-Bills [LKR 'Mn]	3,951,937	3,803,029	3.9%
T-Bonds [LKR 'Mn]	8,527,589	8,561,844	-0.4%
TOTAL	12,479,526	12,364,873	0.9%
T-Bills & T-Bonds held by Foreigners			
Foreign Holding [LKR 'Mn]	24,903	24,878	0.1%
Foreign Holding (%)	0.2%	0.2%	
MATURITY TABLE FOR NEXT WEEK		WEEK ENDING	2-Dec-22
Type	LKR ('Mn)	USD ('Mn)	
T-Bills	141,978		
T-Bonds			
T-Bond Interest	23,078		
SLDBs/Sovereign Bonds		0	
TOTAL	165,056	0	

T-BILL AUCTION				Week Ending 25-Nov-22		
Tenure	Current	Previous	Change	Offered	Bids	Accepted
	23-Nov-22	16-Nov-22	(bps)	LKR ('Mn)	LKR ('Mn)	LKR ('Mn)
91 days	32.92%	33.06%	-14	35,000	68,912	52,672
182 Days	32.45%	32.51%	-6	25,000	32,922	14,766
364 Days	29.52%	29.53%	-1	20,000	23,038	7,421
Date of Settlement	25-Nov-22			80,000	124,872	74,859

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