



First Capital

WEEKLY GOVERNMENT SECURITIES MARKET

First Capital Research

December 6, 2022

For the week 01.12.2022-06.12.2022

"Mid-long tenor yields dip amidst mixed sentiment"

Weekly Yield Movement & Volume

The secondary market yield curve continued its downward momentum predominantly on mid-long tenor maturities in the midst of a mixed market sentiment. However, volumes continued to be thin with moderate participation.

At the beginning of the week, secondary market continued to witness hefty buying interest as expectations on interest rates easing lingered. Meanwhile, decline in monthly CCPI further strengthened the buying interest majorly on 2024, 2026 and 2028 maturities resulting in a dip in yields. However, reversing the buying sentiment, a slight selling spree emerged by mid-week as investors resorted to take profits mainly in the same maturities.

Meanwhile, CBSL conducted its weekly bill auction, where LKR 85.0Bn was offered and LKR 75.5Bn was accepted, of which 3M bill recorded the highest acceptance at c.87%. Furthermore, 3M and 6M yields remained unchanged during the auction at 32.91% and 32.27% respectively whilst the 12M maturity yield fell by 13bps WoW to 29.33%.

In the Forex market, LKR was broadly held steady against the green back with rupee recorded at LKR 363.2 over the week.

Liquidity & CBSL Holdings

Market Liquidity remained negative and deteriorated during the week. At the beginning, excess liquidity was recorded at LKR -234.1bn and declined to LKR -242.6Bn by the end of the week. Meanwhile, CBSL holdings slightly reduced to LKR 2,543.1Bn compared to LKR 2,544.5Bn held at the beginning.

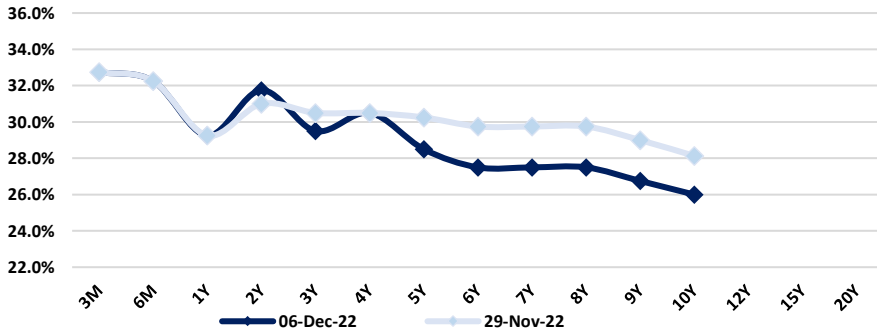
Foreign Interest

Foreign holding in government securities remained unchanged at LKR 24.9Bn whilst foreign holding percentage was maintained at 0.02%.

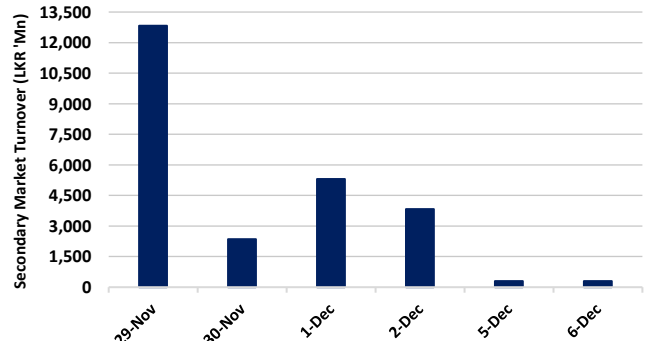
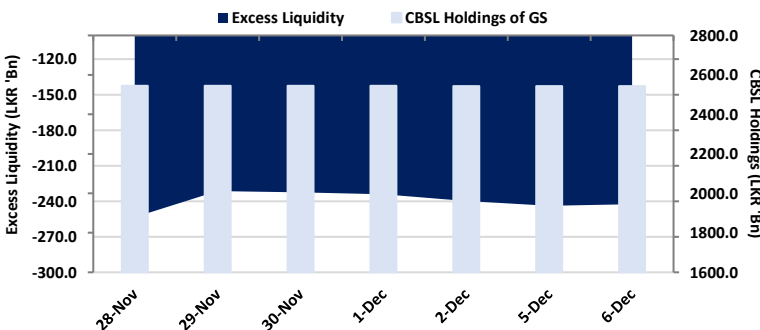
Maturities for next week

The Government Securities market has to settle a Treasury bill maturity amounting to LKR 107.8Bn and T-Bond interest amounting to LKR 26.5Bn for the week ending 16th 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%
01-May-24 < 2Y	32.00%	31.50%
01-Jul-25 < 3Y	30.00%	29.00%
15-May-26 < 4Y	31.00%	30.00%
15-May-27 < 5Y	29.00%	28.00%
15-Jan-28 < 6Y	28.00%	27.00%
15-Jul-29 < 7Y	28.00%	27.00%
15-May-30 < 8Y	28.00%	27.00%
15-May-31 < 9Y	27.50%	26.00%
01-Jul-32 < 10Y	27.00%	25.00%
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	2-Dec-22	25-Nov-22
1 Year	4.69%	4.76%
2 Year	4.28%	4.42%
5 Year	3.67%	3.85%
10 Year	3.51%	3.68%
30 Year	3.56%	3.74%



MARKET INTEREST RATES	2-Dec-22	Last Month
AWPLR	27.89%	29.67%
	This Week	Last Week
FD Ceiling Rate(1Yr)	31.52%	31.54%
MONEY MARKET RATES	High	Low
Call Money	15.50%	15.50%
Repo Rates	15.50%	15.50%



Daily Summary

Thursday (01.12.22): The secondary market displayed a hefty buying interest compared to the previous sessions on the back of improved investor sentiment over possible easing of interest rates. Meanwhile, the market sentiment was further strengthened by the decline in inflation as measured by the CCPI which fell to 61.0% in Nov from 66.0% in Oct 2022 driven by decrease in food prices during the month. Accordingly, 01.05.24, 15.05.26 and 15.01.28 maturities were traded within a range of 32.35% - 32.00%, 31.50% - 30.20% and 28.00% - 27.00%, respectively

Friday (02.11.22): The secondary market witnessed continued buying interest during the day's proceedings, where 01.05.24 maturity witnessed trades taking place between 31.85%-30.25% whilst 15.05.26 maturity traded between 30.30-29.20%. However, towards the latter part of the day, profit taking was visible on the market with 01.05.24 maturity trading at 31.0% whilst 15.05.26 maturity traded at 29.60%.

Monday (05.12.22): After multiple weeks of strong buying interest and plummeting of rates by almost 250- 500bps on mid to long tenors, a slight profit taking was observed during the day. Accordingly, the secondary market witnessed rates slightly picking up where selling interest was mainly centered on the 01.05.24 and 15.05.26 maturities, with trades taking place at 31.50% and 30.50% respectively. However, overall volumes continued to remain thin with limited investor activity compared to the last few weeks.

Tuesday (06.12.22): CBSL conducted its weekly bill auction, where LKR 85.0Bn was offered and LKR 75.5Bn was accepted, of which 3M bill recorded the highest acceptance at c. 87%. Furthermore, 3M and 6M yields remained unchanged during the auction at 32.91% and 32.27% respectively whilst the 12M maturity yield fell by 13bps WoW to 29.33%. Meanwhile the secondary market was inactive as investors opted to be on the sidelines.

OUTSTANDING STOCK	30-Nov-22	Previous Week	Change (%)
T-Bills [LKR 'Mn]	3,979,827	3,967,665	0.3%
T-Bonds [LKR 'Mn]	8,527,589	8,527,589	0.0%
TOTAL	12,507,416	12,495,254	0.1%
T-Bills & T-Bonds held by Foreigners			
Foreign Holding [LKR 'Mn]	24,903	24,903	0.0%
Foreign Holding (%)	0.2%	0.2%	
MATURITY TABLE FOR NEXT WEEK		WEEK ENDING	16-Dec-22
Type	LKR ('Mn)	USD ('Mn)	
T-Bills	107,779		
T-Bonds			
T-Bond Interest	26,547		
SLDBs/Sovereign Bonds		0	
TOTAL	134,326	0	

T-BILL AUCTION				Week Ending 9-Dec-22		
Tenure	Current	Previous	Change	Offered	Bids	Accepted
	06-Dec-22	30-Nov-22	(bps)	LKR ('Mn)	LKR ('Mn)	LKR ('Mn)
91 days	32.91%	32.91%	0	40,000	98,095	65,467
182 Days	32.27%	32.27%	0	25,000	25,749	6,954
364 Days	29.33%	29.46%	-13	20,000	21,169	3,090
Date of Settlement	9-Dec-22			85,000	145,013	75,511

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