



First Capital

# WEEKLY GOVERNMENT SECURITIES MARKET

First Capital Research

November 30, 2022

For the week 24.11.2022-30.11.2022

## "T-Bill auction yields fell across the board for the 3rd week"

### Weekly Yield Movement & Volume

The secondary market yield curve edged down slightly, predominantly on the belly end of the curve with the emergence of modest buying interest on the back of speculation on interest rates easing. Meanwhile, the overall market displayed limited activities and low volumes while T-Bill auction yields fell across all maturities for the 3<sup>rd</sup> straight week.

As CBSL decided to maintain the policy rates, market participants opted to be on the sidelines. However, following the primary auction announcement and CBSL's decision to ease liquidity shortage in the banks, buying interest emerged on the mid to long tenors mainly on 01.05.24 and 01.07.2025 maturities.

At the LKR 50.0Bn T-Bond auction, 01.05.24 maturity worth LKR 25.0Bn offered witnessed near complete acceptance at a weight average yield of 32.71% whilst 15.05.26 maturity was fully accepted at a weighted average yield of 31.69%.

Meanwhile, at the T-Bill auction, yields across all maturities plunged down moderately as per the expectations of market participants while the auction was fully accepted with 83% of the total offered being accepted from the 03M maturity which gathered higher reception with higher bids. Accordingly, weighted average yield of 03M maturity declined to 32.91% (-1bps) while 06M and 1Yr maturity edged down to 32.27% (-18bps) and 29.46%(-6bps), respectively.

In the Forex market, LKR slightly appreciated against the greenback with the rupee recording at LKR 363.2 towards the end of the week compared to LKR 363.5 at the beginning of the week.

### Liquidity & CBSL Holdings

Market Liquidity remained negative and deteriorated during the week. At the beginning, excess liquidity was recorded at LKR -154.3Bn and declined to LKR -232.5Bn by the end of the week. Meanwhile, CBSL holdings slightly reduced to LKR 2,544.5Bn compared to LKR 2,559.6Bn held at the beginning.

### Foreign Interest

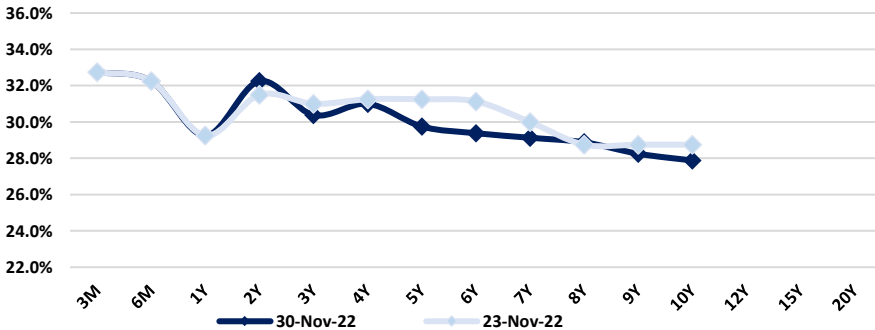
Foreign holding in government securities remained unchanged at LKR 24.9Bn whilst foreign holding percentage was maintained at 0.02%.

### Maturities for next week

The Government Securities market has to settle a Treasury bill maturity amounting to LKR 95.0Bn for the week ending 09<sup>th</sup> 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	32.50%	32.00%
01-Jul-25 < 3Y	30.75%	30.00%
01-Feb-26 < 4Y	31.25%	30.75%
15-May-27 < 5Y	30.00%	29.50%
15-Jan-28 < 6Y	29.75%	29.00%
15-Jul-29 < 7Y	29.50%	28.75%
15-May-30 < 8Y	29.25%	28.50%
15-May-31 < 9Y	28.50%	28.00%
01-Jul-32 < 10Y	28.25%	27.50%
01-Jan-34 < 12Y	N/A	N/A
15-Mar-35 < 15Y	N/A	N/A
01-Jan-41 < 20Y	N/A	N/A

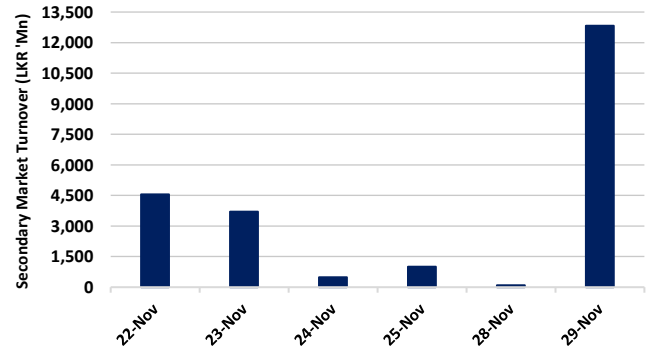
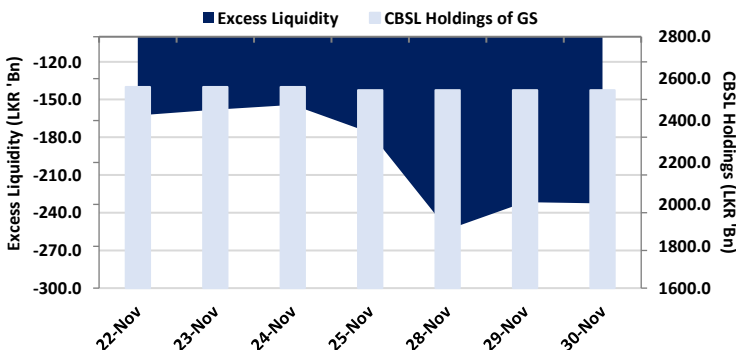
US TREASURIES	25-Nov-22	18-Nov-22
1 Year	4.76%	4.74%
2 Year	4.42%	4.51%
5 Year	3.85%	3.99%
10 Year	3.68%	3.82%
30 Year	3.74%	3.92%



MARKET INTEREST RATES	25-Nov-22	Last Month
AWPLR	29.67%	27.46%

	This Week	Last Week
FD Ceiling Rate(1Yr)	31.54%	31.56%

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



## Daily Summary

**Thursday (24.11.22):** The Monetary Board of the Central Bank of Sri Lanka at its final review meeting for the year, decided to maintain the SDFR, SLFR and SRR at their current levels of 14.50%, 15.50% and 4.00%, respectively. Following the policy announcement, the secondary market yields began to tick slightly higher as policy rates were not eased as per investor expectations. Accordingly, 01.07.25 traded within a range of 31.75%-31.25% while 01.07.32 traded at 29.50%.

**Friday (25.11.22):** The secondary bond market activities exhibited a dull note as the market participants opted to be on the sidelines after being active for the week following CBSL's decision to ease liquidity shortage in the banks. Moreover, CBSL announced an issue of LKR 80.0Bn T-Bills through an auction scheduled on 30<sup>th</sup> Nov 2022, while a further LKR 50.0Bn bond auction was scheduled to take place on the 29<sup>th</sup> Nov 2022 where LKR 25.0Bn was issued under 01.05.24 and 01.05.26 maturities each.

**Monday (28.11.22):** Secondary market yield curve edged down on mid to long tenor maturities as buying picked up among investors following the announcement of the tentative primary auction calendar for December. Buying interest was largely centered on long tenor maturities with 01.07.2032 traded at 28.50%. However, it was witnessed that no offers were made by the market participants as a wait-and-see approach was instilled ahead of the primary market auctions scheduled on the 29<sup>th</sup> and 30<sup>th</sup> of Nov.

**Tuesday (29.11.22):** The secondary bond market showcased lackluster sentiment following the primary auction for LKR 50.0Bn treasury bonds. The sentiment observed during the proceedings was due to the wait and see approach adopted by the investors, amidst speculation of interest rates easing. 01.05.24 maturity worth LKR 25.0Bn offered via primary auction witnessed near complete acceptance at a weight average yield of 32.71% whilst 15.05.26 maturity was fully accepted at a weighted average yield of 31.69%. Following the bond auction, 01.05.26 maturity traded in the range of 31.25%-31.50% in the secondary market.

**Wednesday (30.11.22):** The secondary market witnessed some buying interest on the back of speculations on yields easing while talks about financial aid from ADB and World Bank further strengthened interest. Accordingly, bond auction maturity 01.05.2024 traded at a range of 33.0%-32.5% while 01.07.2025 traded at 30.30%. However, volumes were recorded at ultra-thin levels amidst limited activities. Meanwhile, at the T-Bill auction, yields across all maturities plunged down moderately as per the expectations of market participants while the auction was fully accepted with 83% of the total offered being accepted from the 03M maturity which gathered higher reception with higher bids. Accordingly, weighted average yield of 03M maturity declined to 32.91% (-1bps) while 06M and 1Yr maturity edged down to 32.27% (-18bps) and 29.46%(-6bps), respectively.

OUTSTANDING STOCK	23-Nov-22	Previous Week	Change (%)
T-Bills [LKR 'Mn]	3,967,665	3,951,937	0.4%
T-Bonds [LKR 'Mn]	8,527,589	8,527,589	0.0%
<b>TOTAL</b>	<b>12,495,254</b>	<b>12,479,526</b>	<b>0.1%</b>

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	9-Dec-22
Type	LKR ('Mn)	USD ('Mn)	
T-Bills	95,000		
T-Bonds			
T-Bond Interest			
SLDBs/Sovereign Bonds		0	
<b>TOTAL</b>	<b>95,000</b>	<b>0</b>	

T-BILL AUCTION				Week Ending		2-Dec-22
Tenure	Current	Previous	Change	Offered	Bids	Accepted
	30-Nov-22	23-Nov-22	(bps)	LKR ('Mn)	LKR ('Mn)	LKR ('Mn)
91 days	32.91%	32.92%	-1	35,000	85,547	66,174
182 Days	32.27%	32.45%	-18	25,000	26,122	9,230
364 Days	29.46%	29.52%	-6	20,000	23,244	4,596
<b>Date of Settlement</b>			<b>2-Dec-22</b>	<b>80,000</b>	<b>134,913</b>	<b>80,000</b>

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