



First Capital

WEEKLY GOVERNMENT SECURITIES MARKET

First Capital Research

January 4, 2023

For the week 29.12.2022-04.01.2023

"Yields ease down amidst looming buying appetite"

Weekly Yield Movement & Volume

The secondary market commenced the year on a bullish note as buying appetite loomed among investors following restrictions on SDF availability. Accordingly, yield curve edged lower while auctions yields too inched down at the weekly T-Bill auction further strengthening interest.

In the beginning of the week, lackluster sentiment took over the secondary market amidst less participation. However, following CBSL's decision to restrict Standing Deposit Facility (SDF) to a maximum of five times per calendar month, investor interest was reactivated with buying interest largely enticed on bills. Further 2025, 2026 maturities too continued to see interest while surprised buybacks of T-Bonds under the OMO further brought yields down.

At the bond auction, only 59.0% of the total offer of LKR 90.0Bn was accepted with total bids under 15.01.25 maturity getting rejected in full. However, 15.05.26 maturity was accepted at the weighted average yield of 31.36%, where in phase I, CBSL accepted LKR 47.9Bn bids of the maturity and subsequently the amount accepted increased to LKR 53.1Bn in phase II.

Meanwhile, at the weekly T-Bill auction the total offered of LKR 98.0Bn was fully accepted while the offered amount of each individual maturity was accepted in full. Accordingly, weighted average yield rate of 03M bill recorded lower by 63bps to 32.01% while 06M and 1Yr declined to 32.02% (-18bps) and 29.16% (-11bps), respectively.

In the Forex market, LKR remained broadly steady against the greenback with rupee being recorded at LKR 363.1 over the week.

Liquidity & CBSL Holdings

Market Liquidity remained negative yet improved during the week. At the beginning, excess liquidity was recorded at LKR -223.7Bn and improved to LKR -203.7Bn by the end of the week. Meanwhile, CBSL holdings increased to LKR 2,598.2Bn compared to LKR 2,589.7Bn held at the beginning.

Foreign Interest

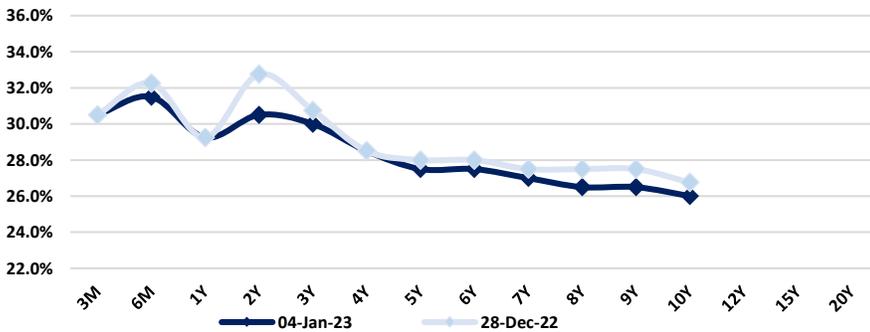
Foreign holding in government securities increased marginally by LKR 48.3Mn to LKR 25.6Bn whilst foreign holding percentage was maintained at 0.2%.

Maturities for next week

The Government Securities market has to settle a Treasury bill and Treasury bond maturity amounting to LKR 256.8Bn and LKR 129.6Bn, respectively for the week ending 13th Jan-23. Meanwhile, T-Bond interest amounting to LKR 42.9Bn should be settled for week ending 13th Jan-23.

| TENURE | BID | OFFER |
|-----------------|--------|--------|
| < 91 Days < 3M | 31.00% | 30.00% |
| < 182 Days < 6M | 32.00% | 31.00% |
| < 364 Days < 1Y | 29.50% | 29.00% |
| 15-Jan-25 < 2Y | 31.00% | 30.00% |
| 01-Feb-26 < 3Y | 30.50% | 29.50% |
| 01-May-27 < 4Y | 29.00% | 28.00% |
| 15-Jan-28 < 5Y | 28.00% | 27.00% |
| 01-Jan-29 < 6Y | 28.00% | 27.00% |
| 15-May-30 < 7Y | 27.50% | 26.50% |
| 15-May-31 < 8Y | 27.00% | 26.00% |
| 01-Jul-32 < 9Y | 27.00% | 26.00% |
| 15-Jan-33 < 10Y | 26.50% | 25.50% |
| 15-Mar-35 < 12Y | N/A | N/A |
| 15-Aug-39 < 15Y | N/A | N/A |
| 01-Jan-41 < 20Y | N/A | N/A |

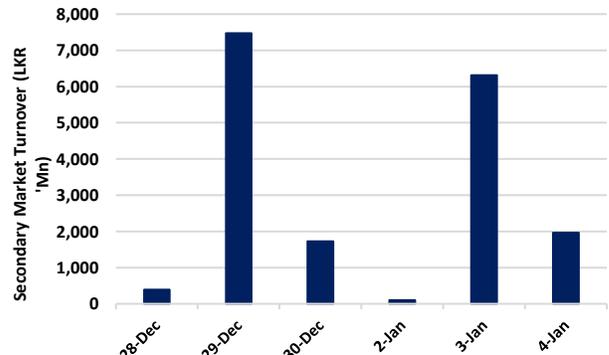
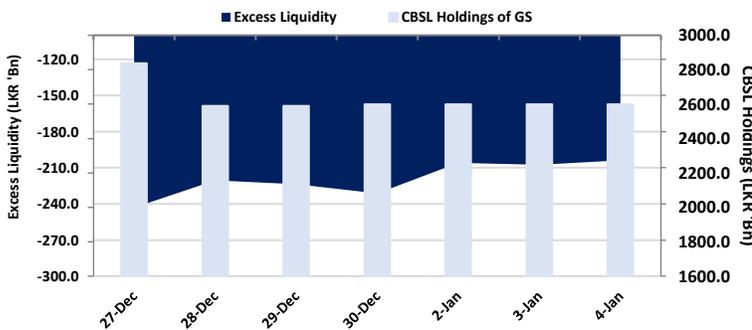
| US TREASURIES | 30-Dec-22 | 23-Dec-22 |
|---------------|-----------|-----------|
| 1 Year | 4.73% | 4.66% |
| 2 Year | 4.41% | 4.31% |
| 5 Year | 3.99% | 3.86% |
| 10 Year | 3.88% | 3.75% |
| 30 Year | 3.97% | 3.82% |



| MARKET INTEREST RATES | 30-Dec-22 | Last Month |
|-----------------------|-----------|------------|
| AWPLR | 27.24% | 29.67% |

| | This Week | Last Week |
|----------------------|-----------|-----------|
| FD Ceiling Rate(1Yr) | 31.26% | 31.35% |

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



Daily Summary

Thursday (29.12.22): The secondary market wrapped the day on a dull note as investors continued to remain sidelined. Meanwhile, at the bond auction, only 59.0% of the total offer of LKR 90.0Bn was accepted with total bids under 15.01.25 maturity getting rejected in full. However, 15.05.26 maturity was accepted at the weighted average yield of 31.36%, where in phase I, CBSL accepted LKR 47.9Bn bids of the maturity and subsequently the amount accepted increased to LKR 53.1Bn in phase II. Accordingly, post auction, the auction maturity 15.05.26 was seen changing hands at 31.40% despite generating ultra-thin volumes.

Friday (30.12.22): Secondary market yield curve remained steady as the market activities were at a complete standstill ahead of the new year with investors continuing their stance on sidelines.

Monday (02.01.23): Secondary market commenced the year with a lackluster sentiment and continued to remain on a complete standstill as investors opted to stay on sidelines. Further, part rejection of the last week's bond auction together with the comments made by the CBSL governor with regards to easing of rates in the near term also kept investors on the sidelines searching for further direction.

Tuesday (03.01.23): The secondary market reacted positively to the revised operating instructions on the Standing Facilities issued by the CBSL to all Licensed Commercial Banks, as investors expecting demand for short-term bills to rise which in turn may ease down the market interest rates. Accordingly, yields edged down by nearly 50bps to 75bps in the secondary market as hefty buying interest witnessed on 15.01.25 and 15.05.26 maturities which traded in the range of 33.25% - 33.00% and 31.25% - 30.87%, respectively.

Wednesday (04.01.23): At the weekly T-Bill auction, the total offered of LKR 98.0Bn was fully accepted while the offered amount of each individual maturity was accepted in full. Accordingly, weighted average yield rate of 03M bill recorded lower by 63bps to 32.01% while 06M and 1Yr declined to 32.02% (-18bps) and 29.16% (-11bps), respectively. Following the outcome of the T-Bill auction, in the secondary market, 03M bill traded in the range of 30.75%-30.25% as buying interest rallied following the restrictions on SDF availability which prompted a higher investor interest on bills. Meanwhile, during early hours of the session 01.05.2024 traded at 33% amidst selling interest. However, at the buyback in T-Bonds under OMO, 15.01.2025 closed at a weighted average yield of 30.80% while 01.06.2025 closed at 29.00% with an acceptance of LKR 3.7Bn and LKR 0.5Bn, respectively. In consequence, 01.05.2024 reversed the sentiment as buying interest emerged and traded at 32.50% while 15.01.2025 traded in the range of 31.00%-30.50%.

| OUTSTANDING STOCK | 28-Dec-22 | Previous Week | Change (%) |
|--------------------------------------|-------------------|-------------------|-------------|
| T-Bills [LKR 'Mn] | 4,101,370 | 4,087,618 | 0.3% |
| T-Bonds [LKR 'Mn] | 8,716,800 | 8,634,974 | 0.9% |
| TOTAL | 12,818,170 | 12,722,593 | 0.8% |
| T-Bills & T-Bonds held by Foreigners | | | |
| Foreign Holding [LKR 'Mn] | 25,572 | 25,524 | 0.2% |
| Foreign Holding (%) | 0.2% | 0.2% | |
| MATURITY TABLE FOR NEXT WEEK | | WEEK ENDING | 13-Jan-23 |
| Type | LKR ('Mn) | USD ('Mn) | |
| T-Bills | 256,833 | | |
| T-Bonds | 129,552 | | |
| T-Bond Interest | 42,916 | | |
| SLDBs/Sovereign Bonds | | 0 | |
| TOTAL | 429,301 | 0 | |

| T-BILL AUCTION | | | | Week Ending | | 5-Jan-23 |
|---------------------------|-----------|-----------|-----------------|---------------|----------------|---------------|
| Tenure | Current | Previous | Change | Offered | Bids | Accepted |
| | 04-Jan-23 | 28-Dec-22 | (bps) | LKR ('Mn) | LKR ('Mn) | LKR ('Mn) |
| 91 days | 32.01% | 32.64% | -63 | 60,000 | 178,136 | 60,000 |
| 182 Days | 32.02% | 32.20% | -18 | 20,000 | 47,396 | 20,000 |
| 364 Days | 29.16% | 29.27% | -11 | 18,000 | 35,089 | 18,000 |
| Date of Settlement | | | 9-Jan-23 | 98,000 | 260,621 | 98,000 |

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| Anushi Ranawaka | +94 77 3876 819 | | |

CORPORATE DEBT SALES

| | |
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| Nishantha Mudalige | +94 70 2910 041 | Dillon Lowe | +94 76 616 0647 |
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|--------------------|-----------------|--------------------|-----------------|

UNIT TRUST SALES

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