



First Capital

WEEKLY GOVERNMENT SECURITIES MARKET

First Capital Research

March 8, 2023

For the week 02.03.2023-08.03.2023

"Bond yields inch down over extended buying appetite"

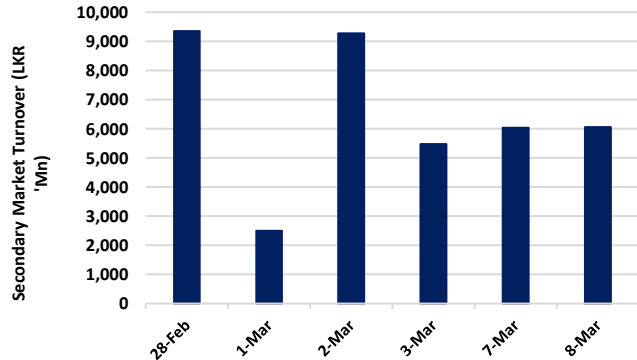
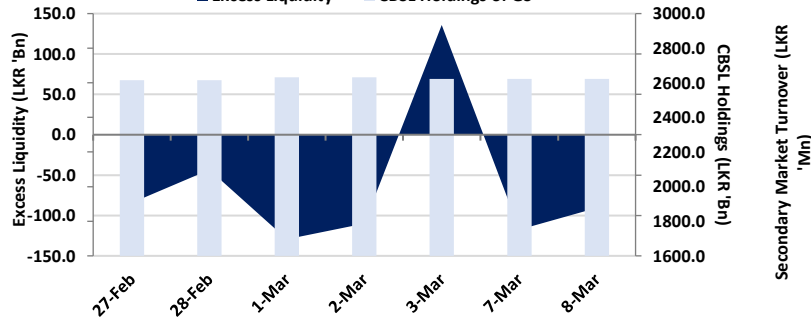
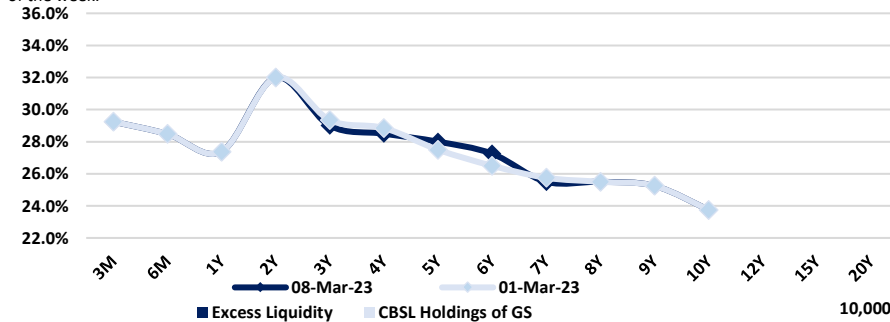
Weekly Yield Movement & Volume

The secondary market commenced the week on a bullish note as buying appetite emerged among investors following the EXIM Bank of China's assurance to restructure debt which confirms the IMF bailout. Accordingly, yield curve edged lower mainly on the short to mid tenors while auctions yields too trimmed down by over 80bps across the board at the weekly T-Bill auction.

Week opened on a buoyant note as investors continued to display a strong buying appetite following the positive developments on the debt restructuring front as bilateral and Paris club creditors affirmed their support. Accordingly, market witnessed investor interest largely on 2025, 2026 and 2027 maturities while recording moderate volumes. Meanwhile on a surprising note, CBSL at its second monetary policy review meeting for the year, has decided to raise the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) by 100bps to 15.50% and 16.50% respectively. Despite the rate hike, investors continued to remain bullish in the secondary market expecting positive outcome at the upcoming IMF executive board meeting which is scheduled for 20th Mar 2023. Moreover, CBSL has announced an issue of LKR 180.0Bn T-Bonds through an auction to be held on 13th Mar 2023.

CBSL conducted its weekly bill auction and fully accepted the issued LKR 85.0Bn. With renewed optimism on possible signing of the IMF board level approval, yields fell across the board on all 3 maturities, with 12-months recording sharpest drop of 121bps to 26.43% whilst 3-months and 6-month yields slid down by 84bps to 28.75% and 87bps to 27.77% respectively.

In the Forex market, LKR witnessed a significant appreciation against the greenback with rupee being recorded at LKR 326.6 compared to LKR 353.7 recorded during the beginning of the week.



Liquidity & CBSL Holdings

Market Liquidity remained volatile and slightly improved during the week. At the beginning, excess liquidity was recorded at LKR -109.9Bn and improved to LKR -90.5Bn by the end of the week. Meanwhile, CBSL holdings declined to LKR 2,621.7Bn compared to LKR 2,632.4Bn held at the beginning of the week.

Foreign Interest

Foreign holding in government securities significantly increased by LKR 12.0Bn to LKR 44.5Bn whilst foreign holding percentage too increased to 0.3%.

Maturities for next week

The Government Securities market has to settle a Treasury bill amounting to LKR 301.2Bn and a T-Bond interest of LKR 64.0Bn for the week ending 17th Mar-23.

TENURE	BID	OFFER
< 91 Days < 3M	29.50%	29.00%
< 182 Days < 6M	28.70%	28.25%
< 364 Days < 1Y	27.75%	27.00%
15-Jan-25 < 2Y	32.50%	31.50%
15-May-26 < 3Y	29.50%	28.50%
15-Sep-27 < 4Y	29.00%	28.00%
15-Jan-28 < 5Y	28.50%	27.50%
01-Jan-29 < 6Y	27.75%	26.75%
15-May-30 < 7Y	26.00%	25.00%
15-May-31 < 8Y	26.00%	25.00%
01-Jul-32 < 9Y	25.75%	24.75%
15-Jan-33 < 10Y	24.75%	22.75%
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	03-Mar-23	24-Feb-23
1 Year	5.03%	5.05%
2 Year	4.86%	4.78%
5 Year	4.26%	4.19%
10 Year	3.97%	3.95%
30 Year	3.90%	3.93%

MARKET INTEREST RATES	03-Mar-23	Last Month
AWPLR	23.45%	24.21%

	This Week	Last Week
FD Ceiling Rate(1Yr)	29.36%	29.69%

MONEY MARKET RATES	High	Low
Call Money	16.50%	16.25%
Repo Rates	16.50%	16.00%

Daily Summary

Thursday (02.03.23): Following the decline in yields in the previous session, secondary market witnessed continued buying interest ahead of the monetary policy review announcement, resulting in a further drastic dip in yields. Accordingly, 01.06.2025 and 01.07.2025 traded in the range of 31.85%-31.25% while 15.05.2026 traded in the range of 29.20%-29.00%. Meanwhile, in the midst of active participation, trades were observed on the 2027 maturity with 01.05.2027 and 15.09.2027 trading in the range of 28.70%-28.00%. With the emerged bullish sentiment on the market, volumes improved to moderate levels.

Friday (03.03.23): In a surprising move, CBSL raised the standing deposit facility rate (SDFR) and standing lending facility rate (SDLR) by 100bps to 15.50% and 16.50% respectively. Meanwhile, on the secondary market moderate volumes was observed during the day as 15.09.27 maturity traded at 27.70% whilst 15.05.26 maturity traded at 26.60%.

Tuesday (07.03.23): The secondary market commenced the day on a bullish note following the official communication from China on debt restructuring and submission of the letter of intent to the IMF executive board. Thus, buying interest was visible on 15.09.27 and 15.05.26 maturities in the morning session as trades took place between 28.00%-27.00% and 28.60%-28.00% respectively. However, towards the latter session, profit taking was visible amidst moderate volumes as 15.05.27 maturity recorded traded between 27.40%-27.20%.

Wednesday (08.03.23): CBSL conducted its weekly bill auction and fully accepted the issued LKR 85.0Bn. With renewed optimism on possible signing of the IMF board level approval, yields fell across the board on all 3 maturities, with 12-months recording sharpest drop of 121bps to 26.43% whilst 3-months and 6-month yields slid down by 84bps to 28.75% and 87bps to 27.77% respectively. Meanwhile on the secondary market, buying interest was visible throughout the day with moderate volumes, as 01.06.25 and 01.07.25 maturities traded between 31.25%-29.75%. Moreover, two-way quotes on 15.09.27 maturity also fell during the day with trades taking place between 27.20%-26.30%.

OUTSTANDING STOCK	02-Mar-23	Previous Week	Change (%)
T-Bills [LKR 'Mn]	4,393,492	4,350,984	1.0%
T-Bonds [LKR 'Mn]	9,043,862	9,019,862	0.3%
TOTAL	13,437,354	13,370,846	0.5%

T-Bills & T-Bonds held by Foreigners			
Foreign Holding [LKR 'Mn]	44,471	32,470	37.0%
Foreign Holding (%)	0.3%	0.2%	

MATURITY TABLE FOR NEXT WEEK		WEEK ENDING	17-Mar-23
Type	LKR ('Mn)	USD ('Mn)	
T-Bills	301,211		
T-Bonds			
T-Bond Interest	63,986		
SLDBs/Sovereign Bonds			
TOTAL	365,197		

T-BILL AUCTION				Auction Date 08-Mar-23		
Tenure	Current	Previous	Change	Offered	Bids	Accepted
	08-Mar-23	01-Mar-23	(bps)	LKR ('Mn)	LKR ('Mn)	LKR ('Mn)
91 days	28.75%	29.59%	-84	45,000	78,029	45,000
182 Days	27.77%	28.64%	-87	20,000	60,742	20,000
364 Days	26.43%	27.64%	-121	20,000	89,631	20,000
Date of Settlement	10-Mar-23			85,000	228,402	85,000

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