



First Capital

WEEKLY GOVERNMENT SECURITIES MARKET

First Capital Research

March 15, 2023

For the week 09.03.2023-15.03.2023

"Auction yields taper down significantly; selling pressure looms on the secondary market"

Weekly Yield Movement & Volume

The secondary market reversed the persistent bullish sentiment during the previous week, as selling interest loomed over profit booking resulting in secondary market yields to edge higher on short to belly end. However, yields at the primary market auctions tapered down on a sizeable note.

Week opened with renewed selling interest after continuous buying was observed during the previous week. Accordingly, activities were largely witnessed on 2024, 2025, 2026 and 2027 maturities while they inched higher amidst active selling. Meanwhile, perceptible institutional participation was observed during the week as supply-side pressure further intensified on the market due to increased bonds offered to government creditors, in an effort to settle the money owed by the government.

At the primary bond auction, only 61.3% of the total offered of LKR 180.0Bn was accepted, where LKR 110.0Bn offered from 01.05.27 was fully accepted at a weighted average yield of 28.11% whilst most of the bids for the shorter tenure, 15.11.24 maturity were rejected and only LKR 441.0Mn got accepted at a weighted average yields of 29.99%.

Meanwhile, CBSL conducted its weekly treasury bill auction and raised a total of LKR 120.0Bn, as the total auction was fully subscribed and accepted. Furthermore, with continuous signals from Central Bank on easing future interest rates and a possible signing of the IMF board level agreement in the coming weeks, weighted average yields dipped across the board and touched a near 8-month low, as 3-month bill yield declined by 81bps to 27.94% whilst 6-month and 12-month bill also recorded a sharp decline of 43bps and 51bps to 27.34% and 25.92%, respectively.

In the Forex market, LKR witnessed a sizeable depreciation against the greenback with rupee being recorded at LKR 327.1 compared to LKR 319.6 recorded during the beginning of the week reversing the continuous appreciation observed last week.

Liquidity & CBSL Holdings

Market Liquidity remained volatile and further deteriorated during the week. At the beginning, excess liquidity was recorded at LKR -53.6Bn and declined to LKR -101.0Bn by the end of the week. Meanwhile, CBSL holdings rose to LKR 2,725.4Bn compared to LKR 2,621.7Bn held at the beginning of the week.

Foreign Interest

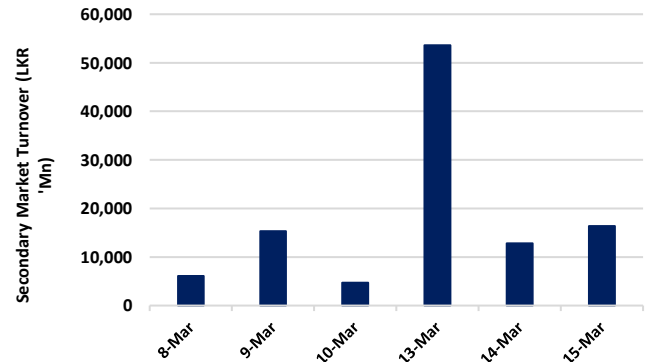
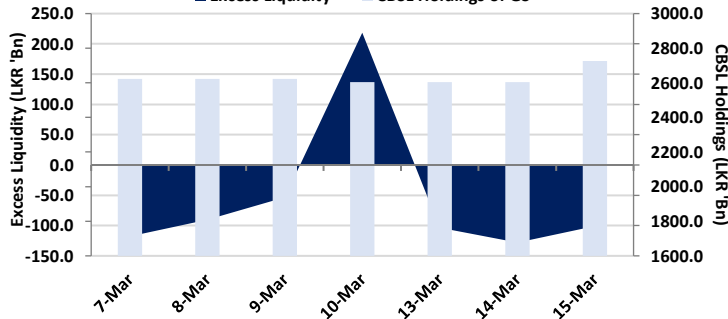
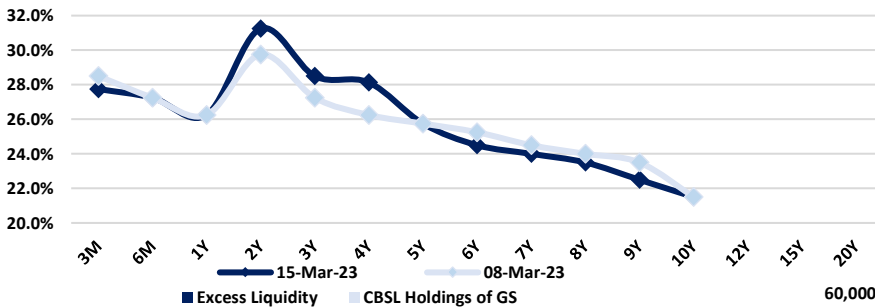
Foreign holding in government securities continued to rise and increased by LKR 7.1Bn to LKR 51.6Bn whilst foreign holding percentage too increased to 0.4%.

Maturities for next week

The Government Securities market has to settle a Treasury bill amounting to LKR 206.5Bn for the week ending 24th Mar-23.

TENURE	BID	OFFER
< 91 Days < 3M	28.00%	27.50%
< 182 Days < 6M	27.50%	27.00%
< 364 Days < 1Y	26.50%	26.00%
07-Jan-25 < 2Y	31.00%	31.50%
15-May-26 < 3Y	28.75%	28.25%
15-Sep-27 < 4Y	28.00%	28.25%
15-Jan-28 < 5Y	26.00%	25.50%
01-Jan-29 < 6Y	25.00%	24.00%
15-May-30 < 7Y	24.50%	23.50%
15-May-31 < 8Y	24.00%	23.00%
01-Jul-32 < 9Y	23.00%	22.00%
15-Jan-33 < 10Y	23.00%	20.00%
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	10-Mar-23	3-Mar-23
1 Year	4.90%	5.03%
2 Year	4.60%	4.86%
5 Year	3.96%	4.26%
10 Year	3.70%	3.97%
30 Year	3.70%	3.90%



MARKET INTEREST RATES	10-Mar-23	Last Month
AWPLR	22.74%	24.21%

	This Week	Last Week
FD Ceiling Rate(1Yr)	28.92%	29.36%

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

Daily Summary

Thursday (09.03.23): After a consistent bullish trend, market witnessed profit taking as selling pressure emerged on the short tenors. Accordingly, 01.07.25 and 15.05.26 maturities were seen changing hands between 30.05%-31.75% and 27.00%-27.85%, respectively while, 01.05.24 maturity was traded at 31.00%. However, slight buying interest was visible on 01.07.32 tenor which hovered in the range of 23.00%-22.50% ahead of the LKR 180.0Bn T-bond auction which is scheduled for 13th Mar-23.

Friday (10.03.23): The secondary bond market yield curve slightly edged up on the short to mid tenors ahead of the LKR 180.0Bn bond auction which is scheduled to be held on 13th Mar-23. In which, CBSL announced an issue of LKR 70.0Bn under 15.11.24 maturity and LKR 110.0Bn under 01.05.27 maturity. Accordingly, selling interest witnessed in the market where on the short end of the curve, 01.07.25 and 15.05.26 maturities were seen changing between 31.50%-31.75% and 27.75%-28.00%, respectively. Meanwhile, on the mid end, 15.09.27 maturity was hovering between 27.50%-28.00% generating thin volumes.

Monday (13.03.23): Selling interest continued on the secondary market where 01.07.25 maturity was seen trading at 32.00% generating moderate volumes. Meanwhile, only 61.3% of the total offered of LKR 180.0Bn was accepted at the bond auction, where LKR 110.0Bn offered from 01.05.27 was fully accepted at a weighted average yield of 28.11% whilst most of the bids for the shorter tenure, 15.11.24 maturity were rejected and only LKR 441.0Mn got accepted at a weighted average yields of 29.99%.

Tuesday (14.03.23): Investors resorted to the sidelines following the sharp dip in weighted average yields at Primary market bond auction while awaiting for the outcome of the weekly T-Bill auction scheduled for 13th Mar-23 where LKR 120.0Bn is expected to be raised. In the midst of lackluster activities selling pressure was witnessed from institutional participants with 01.05.2027 and 15.09.2027 trading within a range of 28.00%-28.65% while volumes remained low.

Wednesday (15.03.23): CBSL conducted its weekly treasury bill auction and raised a total of LKR 120.0Bn, as the total auction was fully subscribed and accepted. Furthermore, with continuous signals from central bank on easing future interest rates and possible signing of the IMF board level agreement in the coming weeks, weighted average yields came down across the board and touched nearly 8-month low, as 3-month bill yield declined by 81bps to 27.94% whilst 6-month and 12-month bill also recorded a sharp decline of 43bps and 51bps to 27.34% and 25.92%, respectively. Meanwhile, apart from the weekly issue of bills from Central bank, supply-side pressure further intensified on the market due to increased bonds offered to government creditors, in an effort to settle the money owed by the government, thus 15.09.27 maturity recorded trades between 28.75%-28.25%. Moreover, several trades were also noted on the 15.01.25 maturity which recorded trades at 31.50% whilst 01.06.25 maturity enticed trades at 31.10%. Further, 01.07.25 maturity was also active during the day, with trades taking place between 32.00%-31.40%.

OUTSTANDING STOCK	9-Mar-23	Previous Week	Change (%)
T-Bills [LKR 'Mn]	4,418,397	4,393,492	0.6%
T-Bonds [LKR 'Mn]	9,069,972	9,043,862	0.3%
TOTAL	13,488,369	13,437,354	0.4%

T-Bills & T-Bonds held by Foreigners			
Foreign Holding [LKR 'Mn]	51,603	44,471	16.0%
Foreign Holding (%)	0.4%	0.3%	

MATURITY TABLE FOR NEXT WEEK		WEEK ENDING	24-Mar-23
Type	LKR ('Mn)	USD ('Mn)	
T-Bills	206,459		
T-Bonds			
T-Bond Interest			
SLDBs/Sovereign Bonds			
TOTAL	206,459		

T-BILL AUCTION				Auction Date 15-Mar-23		
Tenure	Current	Previous	Change	Offered	Bids	Accepted
	15-Mar-23	8-Mar-23	(bps)	LKR ('Mn)	LKR ('Mn)	LKR ('Mn)
91 days	27.94%	28.75%	-81	50,000	138,139	50,000
182 Days	27.34%	27.77%	-43	35,000	74,330	35,000
364 Days	25.92%	26.43%	-51	35,000	77,915	35,000
Date of Settlement	17-Mar-23			120,000	290,384	120,000

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