



First Capital

WEEKLY GOVERNMENT SECURITIES MARKET

First Capital Research

March 22, 2023

For the week 16.03.2023-22.03.2023

"Notable decline in yields post signing USD 3.0Bn IMF EFF deal"

Weekly Yield Movement & Volume

The secondary market displayed mixed sentiment during the week with the short tenors plunging by over 100bps on the back of Sri Lanka securing the USD 3.0Bn IMF EFF agreement. Meanwhile, at the primary market, T-Bill auction witnessed active participation with the weighted average yields sinking for the 4th consecutive week by over 100bps across the board.

In the beginning of the week, lackluster sentiment took over the secondary market amidst limited participation as investors remained on the sidelines ahead of the IMF executive meeting. However, post signing the 48-month IMF EFF agreement, buying sentiment remained dominant in the secondary market mainly on 2025 and 2027 maturities which fell upto 75bps. Meanwhile, following the results of the weekly T-Bill auction, 3M maturity fell below 27.0% in the secondary market where other short tenors also dropped by over 100bps.

Continuing the persistent downtrend at weekly bill auction yields, weighted average yields at the primary auction plunged for the fourth consecutive week registering a significant dip across the board amidst a full acceptance. Accordingly, weighted average yield rates of 03M maturity lowered to 26.23% (-171bps), 06M declined to 26.12% (-122bps) while 1Yr budged low to 24.32% (-160bps).

In the Forex market, LKR witnessed a sizeable appreciation against the greenback with rupee being recorded at LKR 321.9 compared to LKR 337.3 recorded during the beginning of the week.

Liquidity & CBSL Holdings

Market Liquidity remained volatile and further deteriorated during the week. At the beginning, excess liquidity was recorded at LKR -118.5Bn and declined to LKR -178.5Bn by the end of the week. Meanwhile, CBSL holdings slightly declined to LKR 2,702.0Bn compared to LKR 2,725.4Bn held at the beginning of the week.

Foreign Interest

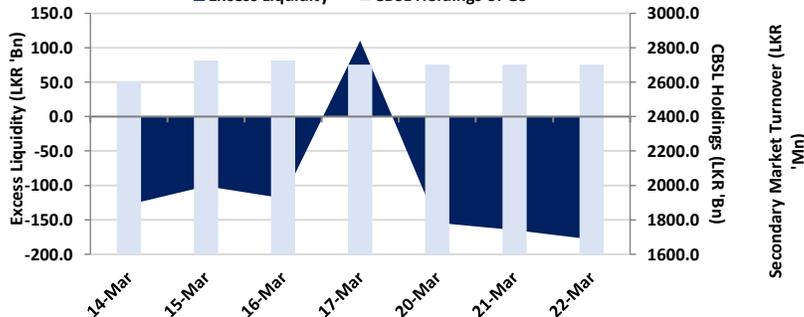
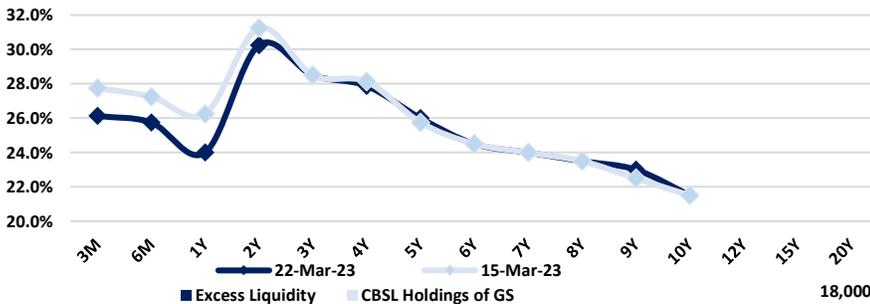
Foreign holding in government securities continued to rise and increased by LKR 16.4Bn to LKR 68.0Bn whilst foreign holding percentage too increased to 0.5%.

Maturities for next week

The Government Securities market has to settle a Treasury bill amounting to LKR 67.1Bn and a T-Bond interest of LKR 12.7Bn for the week ending 31st Mar-23.

TENURE	BID	OFFER
< 91 Days < 3M	26.50%	25.75%
< 182 Days < 6M	26.25%	25.25%
< 364 Days < 1Y	24.50%	23.50%
07-Jan-25 < 2Y	30.50%	30.00%
15-May-26 < 3Y	28.75%	28.25%
15-Sep-27 < 4Y	28.00%	27.75%
15-Jan-28 < 5Y	26.50%	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	23.50%	22.50%
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

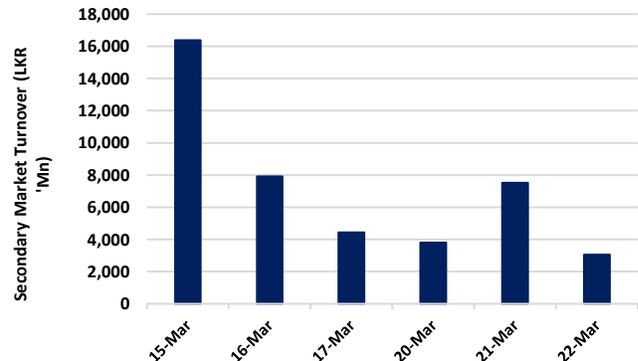
US TREASURIES	17-Mar-23	10-Mar-23
1 Year	4.26%	4.90%
2 Year	3.81%	4.60%
5 Year	3.44%	3.96%
10 Year	3.39%	3.70%
30 Year	3.60%	3.70%



MARKET INTEREST RATES	17-Mar-23	Last Month
AWPLR	23.78%	24.21%

	This Week	Last Week
FD Ceiling Rate(1Yr)	28.08%	28.92%

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



Daily Summary

Thursday (16.03.23): The secondary market showcased lackluster sentiment with investors mostly on the sidelines during the day. Amidst thin volumes recorded during the day, few notable trades took place on the mid-tenure maturities, with 15.09.27 maturity recording trades at 28.25% whilst 01.07.25 maturity observed trades between 31.75%-31.50%. Meanwhile, 15.09.27 maturity also noted few trades at 28.50% during the day.

Friday (17.03.23): The secondary market continued to generate thin volumes and limited activities as investors remained on the sidelines waiting for a clear direction on the macroeconomic front ahead of the upcoming IMF executive meeting. However, on the short end of the curve, yields slightly edged down as buying interest continued on 01.06.25 and 01.07.25 maturities which traded in the range of 31.50%-31.20% while 01.05.24 maturity hovered between 31.55%-30.75%. Meanwhile, mixed sentiment was observed on the mid tenor where 01.05.27 and 15.09.27 maturities were seen trading between 28.25%-28.40%. Moreover, CBSL announced the largest value issue of T-Bills in the year amounting to LKR 125.0Bn through an auction on 22nd Mar 2023.

Monday (20.03.23): Ahead of the IMF executive board meeting with Sri Lanka, the secondary bond market activities continued to remain dull as the market participants preferred to adopt a wait and see approach. Meanwhile, slight investor interest was continuously seen on 15.09.27 maturity which traded at 28.00% during the day.

Tuesday (21.03.23): IMF approved the EFF of nearly USD 3.0Bn to Sri Lanka after the fulfillment of range of criterions. Subsequently, activities in the secondary market buoyed with perceptible buying interest where 01.05.2027 and 15.09.2027 traded at 27.50%. However, selling interest was observed during the day on the same maturities as it hovered at 28.25% owing to the supply side pressures rising from government pay back of bonds to institutions. Nevertheless, buying appetite remained dominant with 1Yr maturity traded at 24.00% and consequently 2027 maturity edged lower yet again and traded in the range of 28.00%-27.90% while 01.07.2032 too witnessed some activity where it was traded at 23.00% amidst the strong buying interest.

Wednesday (22.03.23): Continuing the persistent downtrend at weekly bill auction yields, weighted average yields at the primary auction plunged for the fourth consecutive week registering a significant dip across the board amidst a full acceptance. Accordingly, weighted average yield rates of 03M maturity lowered to 26.23% (-171bps), 06M declined to 26.12% (-122bps) while 1Yr budgeted low to 24.32% (-160bps). Meanwhile, in the secondary market during the morning session, maturities 01.05.2024, 01.06.2025 and 01.07.2025 traded within a range of 30.00%-29.75% amidst active buying interest. 2027 and 2032 maturities too witnessed buying interest during the day as 15.09.2027 traded in the range of 28.00%-27.80% while 01.07.2032 traded at 23.00%. However, post auction selling interest emerged on the secondary market following the sharp dip in yields and as a result 01.07.2025 maturity observed trades taking place at a range of 30.10%-30.30% while volumes remained thin amidst limited activities.

OUTSTANDING STOCK	16-Mar-23	Previous Week	Change (%)
T-Bills [LKR 'Mn]	4,559,568	4,418,397	3.2%
T-Bonds [LKR 'Mn]	9,128,354	9,069,972	0.6%
TOTAL	13,687,923	13,488,369	1.5%
T-Bills & T-Bonds held by Foreigners			
Foreign Holding [LKR 'Mn]	67,980	51,603	31.7%
Foreign Holding (%)	0.5%	0.4%	
MATURITY TABLE FOR NEXT WEEK		WEEK ENDING	31-Mar-23
Type	LKR ('Mn)	USD ('Mn)	
T-Bills	67,107		
T-Bonds			
T-Bond Interest	12,686		
SLDBs/Sovereign Bonds			
TOTAL	79,793		

T-BILL AUCTION				Auction Date 22-Mar-23		
Tenure	Current	Previous	Change	Offered	Bids	Accepted
	22-Mar-23	15-Mar-23	(bps)	LKR ('Mn)	LKR ('Mn)	LKR ('Mn)
91 days	26.23%	27.94%	-171	55,000	117,005	55,000
182 Days	26.12%	27.34%	-122	30,000	60,423	30,000
364 Days	24.32%	25.92%	-160	40,000	63,900	40,000
Date of Settlement	24-Mar-23			125,000	241,328	125,000

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First Capital

First Capital Holdings PLC

No.2, Deal Place,
Colombo 3

Tel: +94 11 2145 000
Fax: +94 11 2145 050

RESEARCH

Dimantha Mathew	+94 11 2639 853	Tharusha Ashokgar	+94 11 2639 866
Ranjan Ratanunga	+94 11 2639 863	Zaeema Jihan	+94 11 2639 863
Vinodhini Rajapoopathy	+94 11 2639 863		

GOVERNMENT SECURITIES SALES

Anjelo Simmons	+94 77 3031 636	Neminda Jayawardena	+94 76 6644 080
Anushka Dissanayake	+94 77 2220 021	Arun Kandasamy	+94 75 4861 506
Anushi Ranawaka	+94 77 3876 819		

CORPORATE DEBT SALES

Tharusha Ekanayake	+ 94 77 7 809 154
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EQUITY SALES

CEO	Jaliya Wijeratne	+94 70 2910 042
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Colombo

Rasika Indra Kumara	+94 77 7072 698	Chandika Jayawardana	+94 77 3940 070
Isuru Jayawardena	+94 76 7084 953	Anjelo LaBrooy	+94 77 7546 645
Nishantha Mudalige	+94 70 2910 041	Dillon Lowe	+94 76 616 0647
Anushka Buddhika	+94 71 4310 600	Evelyn John	+94 77 779 2452
Thushara Pathiraja	+94 70 2910 037	Yudheshan Kannadasan	+94 77 415 5809

Negombo

Priyanka Anuruddha	+94 70 2910 035	Priyantha Wijesiri	+94 70 2910 036
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UNIT TRUST SALES

Kavin Karunamoorthy	+94 77 0328 060	Imali Abeygunawardena	+94 77 1764 799
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BRANCHES

Kandy CSE Branch Office, No. 88, Dalada Veediya, Kandy 20000.	Kurunegala No.174/B2, Negombo Road, Kurunegala. Kurunegala 60000.	Matara CSE Branch Office, 1 st Floor, E.H.Cooray Tower, No.24, Anagarika Dharmapala Mawatha, Matara 81000.	Negombo Colombo Stock Exchange Negombo Branch Office, No. 72 A, 2/1, Old Chilaw Road, Negombo 11500.
Manager: Salinda Samarakoon Tel: +94 81 2236 010	Manager: Tel: +94 37 2222 930	Manager: Rohana Jayakody Tel: +94 41 2222 988	Manager: Tel: +94 31 4937 072

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