



First Capital

WEEKLY GOVERNMENT SECURITIES MARKET

First Capital Research

April 4, 2023

For the week 30.03.2023-04.04.2023

"Buying appetite reactivates over DDR clearance"

Weekly Yield Movement & Volume

The secondary market commenced the week on a bullish note as buying appetite emerged among investors following the outcome of the creditor meeting where the officials noted that T-Bills would be excluded from the debt restructuring process and T-Bond re-structure would be voluntary. Accordingly, yield curve plunged across the board up to 400bps while weighted average yields at the T-Bill auction further deteriorated by over 150bps.

Week opened on a buoyant note as investors continued to display a strong buying appetite following the positive sentiment among investors on the debt restructuring process. Accordingly, the market witnessed investor interests across the board with 2025, 2026, 2027, 2028, 2029 and 2032 maturities were seen trading consecutively during the week generating large volumes. Meanwhile, as expected, CBSL at its third monetary policy review meeting for the year, has decided to maintain the SDFR and SLFR at their current levels of 15.50% and 16.50%, respectively after considering the recent and expected developments in the domestic and global economy and macroeconomic projections.

Meanwhile, CBSL conducted its weekly T-Bill auction and raised a total of LKR 110.0Bn, as the total offered amount was accepted. Accordingly, weighted average yield rates of 03M bill was registered at 24.12% (-187bps), while 06M and 1Yr bills edged down to 24.10% (-169bps) and 22.37% (-193bps), respectively.

In the Forex market, LKR slightly appreciated against the greenback with rupee being recorded at LKR 323.8 compared to LKR 325.6 recorded during the beginning of the week.

Liquidity & CBSL Holdings

Market Liquidity remained highly volatile and improved during the week. At the beginning, excess liquidity was recorded at LKR -190.1Bn and inclined to LKR -27.5Bn by the end of the week. Meanwhile, CBSL holdings slightly increased to LKR 2,688.7Bn compared to LKR 2,658.2Bn held at the beginning of the week.

Foreign Interest

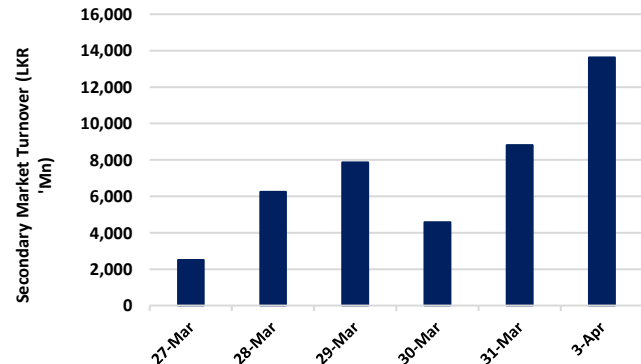
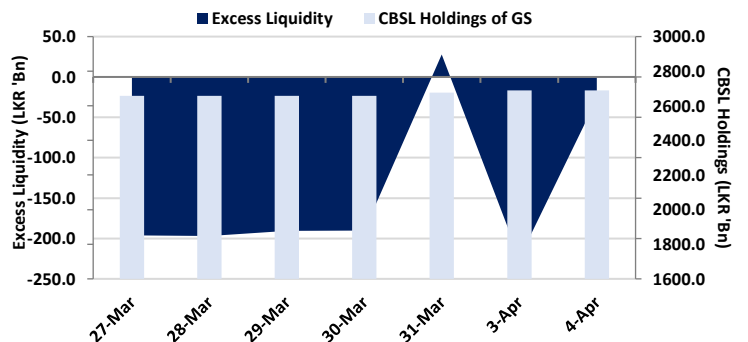
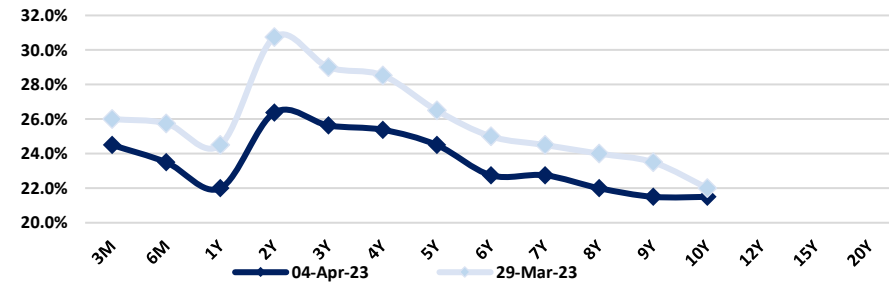
Foreign holding in government securities continued to rise and increased by LKR 2.7Bn to LKR 71.6Bn whilst foreign holding percentage was recorded at 0.5%.

Maturities for next week

The Government Securities market has to settle a Treasury bill amounting to LKR 297.2Bn and a T-Bond interest of LKR 14.7Bn for the week ending 14th Apr-23.

TENURE	BID	OFFER
< 91 Days < 3M	25.00%	24.00%
< 182 Days < 6M	24.00%	23.00%
< 364 Days < 1Y	22.50%	21.50%
07-Jan-25 < 2Y	26.50%	26.25%
15-May-26 < 3Y	25.75%	25.50%
15-Sep-27 < 4Y	25.50%	25.25%
15-Jan-28 < 5Y	25.00%	24.00%
01-Jan-29 < 6Y	23.00%	22.50%
15-May-30 < 7Y	23.00%	22.50%
15-May-31 < 8Y	22.50%	21.50%
01-Jul-32 < 9Y	22.00%	21.00%
15-Jan-33 < 10Y	22.00%	21.00%
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	31-Mar-23	24-Mar-23
1 Year	4.64%	4.32%
2 Year	4.06%	3.76%
5 Year	3.60%	3.41%
10 Year	3.48%	3.38%
30 Year	3.67%	3.64%



MARKET INTEREST RATES	31-Mar-23	Last Month
AWPLR	21.40%	24.21%

	This Week	Last Week
FD Ceiling Rate(1Yr)	26.23%	27.25%

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

Daily Summary

Thursday (30.03.23): The secondary market continued to witness lackluster investor activity during the day as investors opted to wait on the sidelines ahead of the creditors meeting. Meanwhile, thin volumes were observed during the day on 15.09.27 maturity, which traded hands at 29.0%.

Friday (31.03.23): The secondary market displayed a steep fall following the outcome of the creditor meeting, where investors have obtained some clarity on the domestic debt restructuring process. Accordingly, the secondary market witnessed renowned buying interest across the board with 1Y T-Bill plunging by 200bps and trading at 22.50% during the day. Meanwhile, on the short end of the curve 01.07.25 maturity was seen changing hands between 30.75%-30.25% while 15.05.26 maturity traded at 27.65%. In the midst of active trading session, 15.09.27 traded within a range of 28.25%-27.50% while mid tenors, 15.01.28, 01.07.29, 15.05.31 and 01.07.32 maturities traded at 26.00%, 25.00%, 23.0% and 22.60%, respectively. Moreover, as expected inflation as measured by CCPI continued to decline further and recorded at 50.30% in Mar 2023 compared to 50.6% in Feb 2023 while food inflation notably declined to 47.6% compared to 54.4% in Feb 2023.

Monday (03.04.23): The secondary market yield curve continued to edge down across the board following the creditor meeting where the officials noted that T-Bills would be excluded from the debt restructuring process and T-Bond re-structure would be voluntary. Accordingly, buying interest intensified in the secondary market across the board generating large volumes. On the short end of the curve, 01.07.25 and 15.05.26 maturities further weighed down and traded at 28.70% and 27.20%, respectively. Meanwhile, mid tenors, 01.05.27, 15.09.27, 15.01.28 and 15.07.32 maturities lowered to 26.75%, 26.50%, 25.00% and 22.70%, respectively. Moreover, CBSL announced an issue of LKR 110.0Bn T-Bills through an auction while the third monetary policy announcement for the year is also scheduled for 04th Apr 2023.

Tuesday (04.04.23): The secondary market witnessed continued buying interest for the 3rd consecutive day following the trading view of the DDR figures that was announced during the creditor meeting on the 30th of March resulting in a further drastic dip in yields. Continuous buying interest was adopted with investors being bullish on the overall sentiment at the short end of the curve, where 01.07.25 maturity traded at 26.40% and 15.05.26 traded at 26.65%. Risk premiums attached to mid tenors also started to decline with 2027 maturities too witnessing buying interest during the day as 01.05.27 traded at 25.60% and 15.09.27 traded at 25.30%. Meanwhile, 15.07.29 and 01.07.32 maturities were also traded at 22.80% and 22.00%, respectively. CBSL conducted its weekly T-Bill auction and raised a total of LKR 110.0Bn, as the total offered amount was accepted. Accordingly, weighted average yield rates of 03M bill was registered at 24.12% (-187bps), while 06M and 1Yr bills edged down to 24.10% (-169bps) and 22.37% (-193bps), respectively. Moreover, the CBSL at its monetary policy meeting decided to maintain the SDFR and SLFR at their current levels of 15.50% and 16.50%, respectively.

OUTSTANDING STOCK	30-Mar-23	Previous Week	Change (%)
T-Bills [LKR 'Mn]	4,615,570	4,587,778	0.6%
T-Bonds [LKR 'Mn]	9,130,899	9,130,899	0.0%
TOTAL	13,746,468	13,718,677	0.2%
T-Bills & T-Bonds held by Foreigners			
Foreign Holding [LKR 'Mn]	71,557	68,815	4.0%
Foreign Holding (%)	0.5%	0.5%	
MATURITY TABLE FOR NEXT WEEK		WEEK ENDING	14-Apr-23
Type	LKR ('Mn)	USD ('Mn)	
T-Bills	297,158		
T-Bonds			
T-Bond Interest	14,701		
SLDBs/Sovereign Bonds			
TOTAL	311,859		

T-BILL AUCTION				Auction Date 04-Apr-23		
Tenure	Current	Previous	Change	Offered	Bids	Accepted
	04-Apr-23	29-Mar-23	(bps)	LKR ('Mn)	LKR ('Mn)	LKR ('Mn)
91 days	24.12%	25.99%	-187	60,000	89,572	60,000
182 Days	24.10%	25.79%	-169	30,000	36,004	14,179
364 Days	22.37%	24.31%	-194	20,000	51,979	35,821
Date of Settlement	10-Apr-23			110,000	177,555	110,000

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