



First Capital

WEEKLY GOVERNMENT SECURITIES MARKET

First Capital Research

April 19, 2023

For the week 12.04.2023-19.04.2023

"Auction yields further upswing across the board"

Weekly Yield Movement & Volume

In the midst of the holiday season, the secondary market displayed dull performance while generating thin volumes as the market participants mostly remained on the sidelines. Meanwhile, the weighted average yields of the auction bills continued to surge across the board with 3M maturity rising over 25.00%.

Commencing the week, the secondary market activities continued to remain inactive. However, as the week progressed, volumes improved to moderate levels as investors resorted to book profits mainly on short to mid tenor maturities. Accordingly, 15.05.26 maturity edged up by 50bps in the secondary market while 2025 and 2027 maturities were seen trading at 28.00% and 26.00%, respectively.

Meanwhile, CBSL conducted its weekly bill auction and fully accepted the offered LKR 90.0Bn. However, continuing from last week's auction, bill yields continue to rise, where 3-month bill yield saw weighted average yield rise by 85bps to 25.65% whilst 6-month bill yields climbed by 87bps to 24.97%. Moreover, 12-month bills also witnessed yields recording an uptick of 32bps to 22.96%.

In the Forex market, LKR slightly depreciated against the greenback with rupee being recorded at LKR 320.8 compared to LKR 319.9 recorded during the beginning of the week.

Liquidity & CBSL Holdings

Market Liquidity remained volatile and deteriorated during the week. At the beginning, excess liquidity was recorded at LKR 18.7Bn and declined to LKR -185.4Bn by the end of the week. Meanwhile, CBSL holdings slightly increased to LKR 2,698.6Bn compared to LKR 2,669.0Bn held at the beginning of the week.

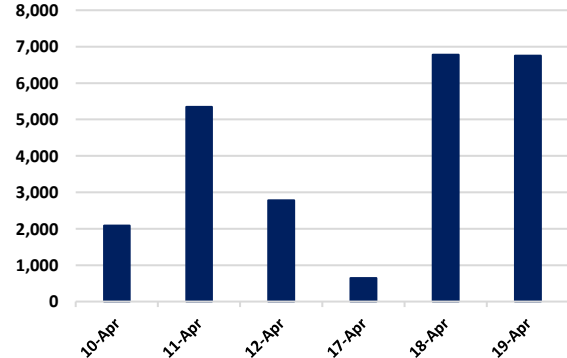
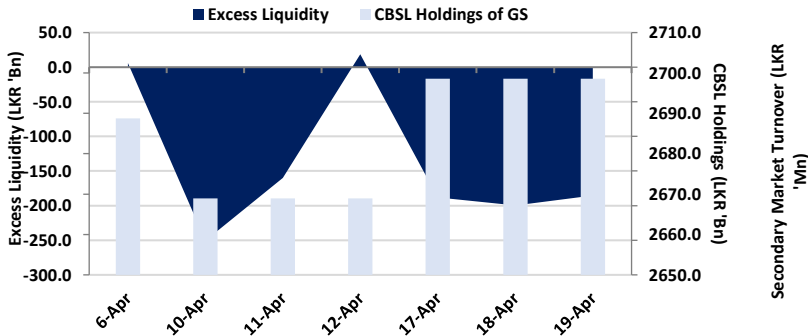
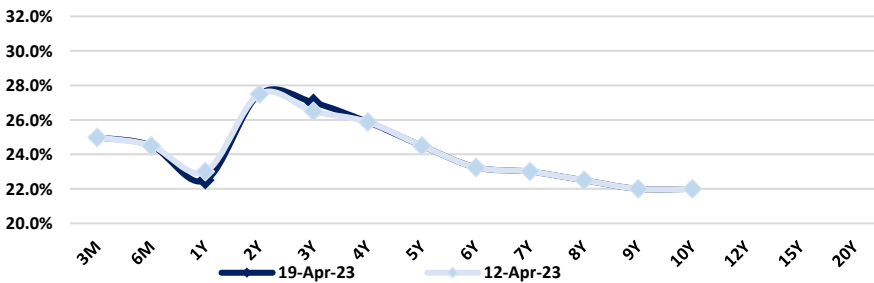
Foreign Interest

Foreign holding in government securities continued to rise and increased by LKR 28.5Bn to LKR 102.4Bn whilst foreign holding percentage further escalated to 0.7%.

Maturities for next week

The Government Securities market has to settle a Treasury bill amounting to LKR 293.5Bn for the week ending 28th Apr-23.

| TENURE | BID | OFFER |
|-----------------|-----------|-----------|
| < 91 Days < 3M | 25.50% | 24.50% |
| < 182 Days < 6M | 25.00% | 24.00% |
| < 364 Days < 1Y | 23.00% | 22.00% |
| 01-Jul-25 < 2Y | 27.75% | 27.25% |
| 15-May-26 < 3Y | 27.25% | 26.75% |
| 15-Sep-27 < 4Y | 26.00% | 25.75% |
| 15-Jan-28 < 5Y | 25.00% | 24.00% |
| 01-Jan-29 < 6Y | 23.50% | 23.00% |
| 15-May-30 < 7Y | 23.50% | 22.50% |
| 15-May-31 < 8Y | 23.00% | 22.00% |
| 01-Jul-32 < 9Y | 22.50% | 21.50% |
| 15-Jan-33 < 10Y | 22.50% | 21.50% |
| 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 | 14-Apr-23 | 07-Apr-23 |
| 1 Year | 4.77% | 4.61% |
| 2 Year | 4.08% | 3.97% |
| 5 Year | 3.60% | 3.49% |
| 10 Year | 3.52% | 3.39% |
| 30 Year | 3.74% | 3.61% |



| MARKET INTEREST RATES | 12-Apr-23 | Last Month |
|-----------------------|-----------|------------|
| AWPLR | 22.09% | 22.63% |
| | This Week | Last Week |
| FD Ceiling Rate(1Yr) | 25.07% | 25.41% |
| MONEY MARKET RATES | High | Low |
| Call Money | 16.50% | 16.00% |
| Repo Rates | 16.50% | 16.50% |

Daily Summary

Wednesday (12.04.23): The secondary market witnessed dull sentiment as investors were on the sidelines ahead of the New year holidays. However, ultra-thin volumes was observed on 15.09.27 maturity which traded at 26.00%.

Monday (17.04.23): Commencing the fresh week after the holidays, the secondary market remained inactive as the market participants continued to be on the sidelines. Meanwhile in the forex market, LKR marginally appreciated with the Rupee closing at LKR 319.57 during the day compared to LKR 319.97 at the beginning of the previous week.

Tuesday (18.04.23): Amidst concerns on DDR, investors resorted to book profits predominantly on mid tenors where 01.07.2025 was traded at 27.50%, while 15.05.2026 traded at 27.25% and both 01.05.2027 & 15.09.2027 traded at 26.00%. However, activities continued to remain limited although volumes improved to moderate levels. Meanwhile, ahead of the weekly bill auction, investor interest was observed on 1Yr maturity which traded in a range of 22.66%-22.30%.

Wednesday (19.04.23): The secondary market witnessed dull sentiment amidst thin volumes, where 15.11.24 maturity witnessed trades taking place at 29.50% whilst 01.07.25 maturity saw trades at 28.00%. Furthermore, few trades were observed on 15.05.26 and 15.09.27 maturities, which traded at 27.10% and 26.00% respectively. Meanwhile, CBSL conducted its weekly bill auction and fully accepted the offered LKR 90.0Bn. However, continuing from last week's auction, bill yields continue to rise, where 3-month bill yield saw weighted average yield rise by 85bps to 25.65% whilst 6-month bill yields climbed by 87bps to 24.97%. Moreover, 12-month bills also witnessed yields recording an uptick of 32bps to 22.96%. However, despite the rise in bill yields, cut off rates were relatively lower compared to the last week auction.

| OUTSTANDING STOCK | 11-Apr-23 | Previous Week | Change (%) |
|---|-------------------|-------------------|-------------|
| T-Bills [LKR 'Mn] | 4,675,073 | 4,649,792 | 0.5% |
| T-Bonds [LKR 'Mn] | 9,130,899 | 9,130,899 | 0.0% |
| TOTAL | 13,805,972 | 13,780,691 | 0.2% |
| T-Bills & T-Bonds held by Foreigners | | | |
| Foreign Holding [LKR 'Mn] | 102,432 | 73,908 | 38.6% |
| Foreign Holding (%) | 0.7% | 0.5% | |
| MATURITY TABLE FOR NEXT WEEK | | WEEK ENDING | 28-Apr-23 |
| Type | LKR ('Mn) | USD ('Mn) | |
| T-Bills | 293,453 | | |
| T-Bonds | | | |
| T-Bond Interest | | | |
| SLDBs/Sovereign Bonds | | | |
| TOTAL | 293,453 | | |

| T-BILL AUCTION | | | | Auction Date 19-Apr-23 | | |
|---------------------------|------------------|-----------|--------|------------------------|----------------|---------------|
| Tenure | Current | Previous | Change | Offered | Bids | Accepted |
| | 19-Apr-23 | 11-Apr-23 | (bps) | LKR ('Mn) | LKR ('Mn) | LKR ('Mn) |
| 91 days | 25.65% | 24.80% | 85 | 40,000 | 80,272 | 54,738 |
| 182 Days | 24.97% | 24.10% | 87 | 25,000 | 29,961 | 9,945 |
| 364 Days | 22.96% | 22.64% | 32 | 25,000 | 48,420 | 25,317 |
| Date of Settlement | 21-Apr-23 | | | 90,000 | 158,653 | 90,000 |

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GOVERNMENT SECURITIES SALES

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

CORPORATE DEBT SALES

| | |
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|--------------------|------------------|

EQUITY SALES

| | | | | |
|---------------------|------------------|-----------------|----------------------|-----------------|
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| Isuru Jayawardana | | +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 |

UNIT TRUST SALES

| | | | |
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|---------------------|-----------------|-----------------------|-----------------|

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