



First Capital

# WEEKLY GOVERNMENT SECURITIES MARKET

First Capital Research

July 19, 2023

For the week 13.07.2023-19.07.2023

## "Yields leap higher at Primary auctions"

### Weekly Yield Movement & Volume

The secondary market experienced slim buying interest through the week while volumes were recorded at thin levels. Moreover, weighted average yields of both primary bond auction and bill auction surged higher.

The week opened with the first bond auction after the IMF bailout where weighted average yields witnessed a surge across the maturities compared to the prevailing market rates in the secondary market. Accordingly, 01.05.28 maturity was accepted at 15.74% and 15.05.30 at 15.67%, while the total offered amount got fully accepted.

Subsequently, slight buying interest surfaced in the secondary market predominantly on bond auction tenors 2028 and 2030. However, as the week progressed, activities subdued while volumes remained thin with persistent interest on 2028 and 2030 tenors which traded at 15.10% and 14.90% towards the end of the week.

Meanwhile, at the weekly bill auction, yields ticked higher for the second continuous session while only 40% of the total offered was accepted. Accordingly, 03M weighted average yield was registered at 19.99% (+91bps), while 06M and 1Yr maturities surged to 17.77% (+82bps) and 14.35% (+31bps), respectively.

In the Forex market, LKR depreciated against the greenback with rupee being recorded at LKR 322.5 compared to LKR 314.6 recorded during the beginning of the week.

### Liquidity & CBSL Holdings

Market Liquidity continued to remain negative and slightly declined during the week. At the beginning, excess liquidity was recorded at LKR -166.7Bn and decreased to LKR -174.7Bn by the end of the week. Meanwhile, CBSL holdings rose to LKR 2,644.1Bn compared to LKR 2,542.8Bn held at the beginning of the week.

### Foreign Interest

Foreign holding in government securities decreased by LKR 8.1Bn to LKR 179.0Bn whilst foreign holding percentage declined to 1.2%.

### Maturities for next week

The Government Securities market has to settle Treasury bill amounting to LKR 324.1Bn for the week ending 28<sup>th</sup> Jul-23.

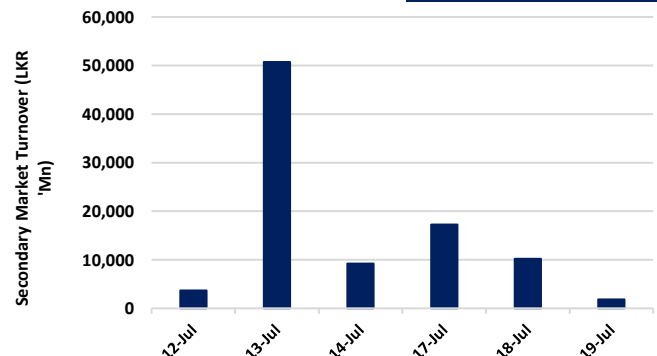
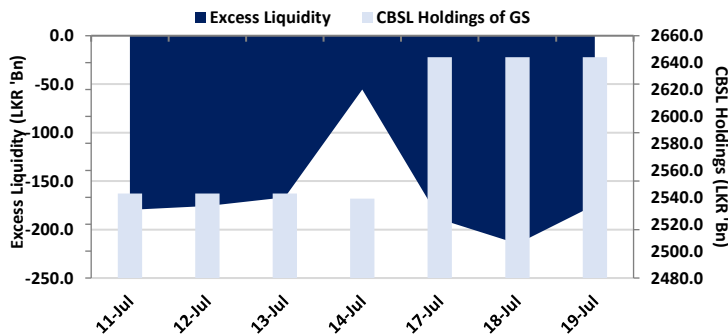
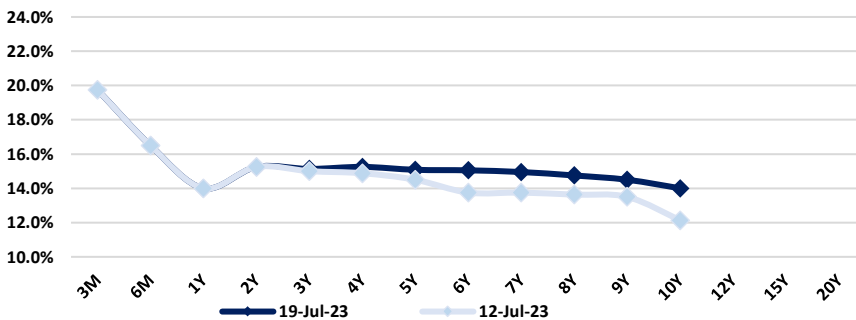
TENURE	BID	OFFER
< 91 Days < 3M	20.50%	19.00%
< 182 Days < 6M	18.00%	15.00%
< 364 Days < 1Y	14.50%	13.50%
07-Jan-25 < 2Y	15.50%	15.00%
15-May-26 < 3Y	15.50%	14.75%
15-Sep-27 < 4Y	15.50%	15.00%
01-May-28 < 5Y	15.15%	15.00%
15-Jul-29 < 6Y	15.10%	15.00%
15-May-30 < 7Y	15.00%	14.90%
15-May-31 < 8Y	15.00%	14.50%
01-Jul-32 < 9Y	14.75%	14.25%
15-Jan-33 < 10Y	14.50%	13.50%
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-Jul-23	7-Jul-23
1 Year	5.34%	5.41%
2 Year	4.74%	4.94%
5 Year	4.04%	4.35%
10 Year	3.83%	4.06%
30 Year	3.93%	4.05%

MARKET INTEREST RATES	14-Jul-23	Last Month
AWPLR	18.69%	19.47%

	This Week	Last Week
FD Ceiling Rate (1Yr)	16.81%	17.47%

MONEY MARKET RATES	High	Low
Call Money	12.00%	11.75%
Repo Rates	12.00%	12.00%



## Daily Summary

**Thursday (13.07.23):** On a surprising note, at the LKR 100.0Bn bond auction (first bond auction after SL signing the IMF bailout), weighted average yields witnessed a surge across the maturities compared to the prevailing market rates in the secondary market. Accordingly, 01.05.28 maturity was accepted at 15.74% and 15.05.30 at 15.67%, while the total offered amount got fully accepted. Post bond auction, the secondary market rates for both auction maturities were quoted at 15.30% and following the announcement of the Phase II of the auction, yields re-rated at 15.80%, higher than the respective weighted averages.

**Friday (14.07.23):** Following the bond auction, the secondary market witnessed slight buying interest on bond auction maturities, 01.05.28 and 15.05.30 at 15.50% levels, amidst very thin volumes and limited activities. Meanwhile in the forex market LKR slightly depreciated against the greenback and recorded at LKR 316.36 against the previous closing of 314.59.

**Monday (17.07.23):** The secondary market displayed thin volumes and limited activity ahead of the weekly T-Bill auction which is to be scheduled on the 19<sup>th</sup> Jul-23. Moreover, 15.09.27, 01.05.28 and 15.05.30 maturities displayed mixed activity changing hands between 15.15%-15.40%. Moreover, 01.07.32 tenor displayed flying buying interest as it traded at 14.75%. Meanwhile, CBSL announced its weekly T-Bill auction raising a total of LKR 160.0Bn, out of which LKR 70.0Bn is to be issued from 91-Day maturity, LKR 50.0Bn is to be issued from 182-Day maturity while another LKR 40.0Bn is to be issued from 364-Day maturity. In the forex market the LKR further depreciated against the greenback recording LKR 319.12.

**Tuesday (18.07.23):** The secondary market witnessed buying interest during the day with interest largely centered on 01.05.28 and 15.05.30 maturities which traded between 15.30%-15.10% and 15.15%-14.90%, respectively. Furthermore, buying interest was also observed on the 01.07.32 maturity, which saw trades between 14.60%-14.40%. However, despite the steady decline in inflation and return of buying interest, market continued to record moderate volumes during the day.

**Wednesday (19.07.23):** At the weekly bill auction, yields ticked higher for the second continuous session while only 40% of the total offered was accepted. Accordingly, 03M weighted average yield was registered at 19.99% (+91bps), while 06M and 1Yr maturities surged to 17.77% (+82bps) and 14.35% (+31bps), respectively. Meanwhile, activities in the secondary market remained dry recording limited activities where 01.05.2028 traded at 15.10% while 15.05.2030 traded at 14.90%.

OUTSTANDING STOCK	13-Jul-23	Previous Week	Change (%)
T-Bills [LKR 'Mn]	5,449,321	5,426,917	0.4%
T-Bonds [LKR 'Mn]	9,032,153	9,032,153	0.0%
<b>TOTAL</b>	<b>14,481,475</b>	<b>14,459,070</b>	<b>0.2%</b>
T-Bills & T-Bonds held by Foreigners			
Foreign Holding [LKR 'Mn]	179,027	187,132	-4.3%
Foreign Holding (%)	1.2%	1.3%	
MATURITY TABLE FOR NEXT WEEK		WEEK ENDING	28-Jul-23
Type	LKR ('Mn)	USD ('Mn)	
T-Bills	324,061		
T-Bonds			
T-Bond Interest	0		
SLDBs/Sovereign Bonds			
<b>TOTAL</b>	<b>324,061</b>		

T-BILL AUCTION				Auction Date		19-Jul-23
Tenure	Current	Previous	Change	Offered	Bids	Accepted
	<b>19-Jul-23</b>	<b>12-Jul-23</b>	<b>(bps)</b>	<b>LKR ('Mn)</b>	<b>LKR ('Mn)</b>	<b>LKR ('Mn)</b>
91 days	19.99%	19.08%	91	70,000	104,574	40,297
182 Days	17.77%	16.95%	82	50,000	64,615	12,848
364 Days	14.35%	14.04%	31	40,000	51,535	10,545
<b>Date of Settlement</b>	<b>21-Jul-23</b>			<b>160,000</b>	<b>220,724</b>	<b>63,690</b>

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