



First Capital

WEEKLY GOVERNMENT SECURITIES MARKET

First Capital Research

November 22, 2023

For the week 16.11.2023-22.11.2023

"Short to Mid yields nudge down ahead of Monetary Policy announcement"

Weekly Yield Movement & Volume

The secondary market continued to witness lackluster participation while a modest buying appetite emerged in the market ahead of the Monetary policy review scheduled on 23rd Nov-23 while overall volumes remained thin. WAYR at the weekly T-Bill auction declined on 03M and 1Yr tenors while 06M remained unchanged.

Market commenced on a dull note with mixed interest and gradually progressed to increased buying appetite as investors speculated a policy rate cut in the upcoming Monetary policy review which is scheduled on 23rd Nov-23. Amidst thin volumes and lackluster activities throughout the week, short to mid tenors enticed the most interest, predominantly on 2025, 2026, 2027 and 2028 which nudged down by 15bps-57bps over the week amidst persistent buying interest.

Meanwhile, CBSL conducted its weekly bill auction and fully accepted the total offered of LKR 145.0Bn, whilst auction yields marginally edged down across 3M and 1Yr tenors. The 91-day maturity experienced higher reception with CBSL accepting LKR 85.9Bn, above the total offered of LKR 55.0Bn at 15.29% (-10Bps) whilst LKR 54.1Bn was accepted from the 182-day maturity with an unchanged weighted average yield of 14.75%, and LKR 5.1Bn was accepted from the 364-day maturity at a weighted average yield of 12.94% (-02Bps).

In the Forex market, LKR marginally appreciated against the USD with rupee being recorded at LKR 328.4 compared to LKR 328.6 recorded during the beginning of the week.

Liquidity & CBSL Holdings

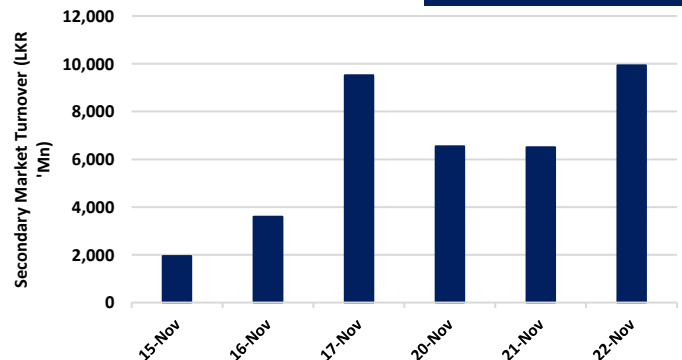
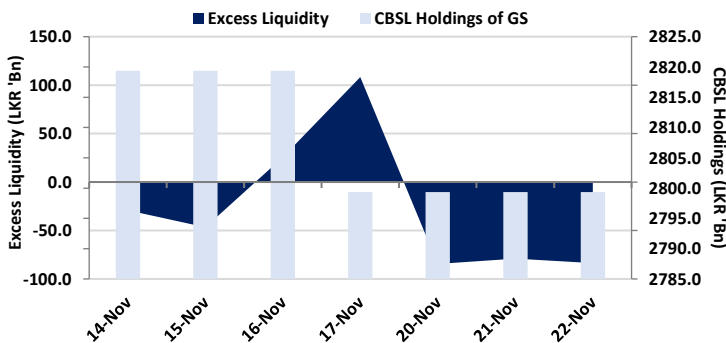
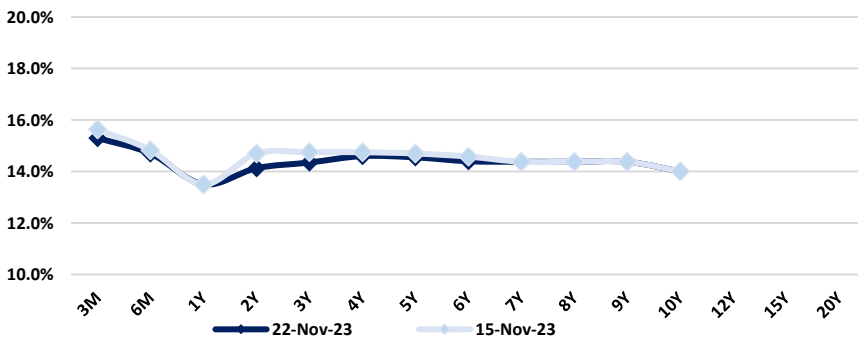
Market Liquidity remained volatile and slightly deteriorated during the week. At the beginning, excess liquidity was recorded at LKR 25.5Bn and declined to LKR -83.8Bn by the end of the week. Meanwhile, CBSL holdings declined to LKR 2,799.4Bn from LKR 2,819.4Bn recorded during the beginning of the week.

Foreign Interest

Foreign holding in government securities decreased by LKR 6.6Bn to LKR 137.5Bn whilst foreign holding percentage remained at 0.9%.

Maturities for next week

The Government Securities market has to settle a Treasury bill and T-Bond interest amounting to LKR 145.9Bn and LKR 36.2Bn, respectively for the week ending 01st Dec-23.



TENURE	BID	OFFER
< 91 Days < 3M	15.40%	15.20%
< 182 Days < 6M	14.80%	14.60%
< 364 Days < 1Y	14.00%	13.00%
01-Jul-25 < 2Y	14.25%	14.00%
15-May-26 < 3Y	14.40%	14.30%
15-Sep-27 < 4Y	14.65%	14.55%
01-Jul-28 < 5Y	14.60%	14.50%
15-Jul-29 < 6Y	14.50%	14.30%
15-May-30 < 7Y	14.50%	14.25%
15-May-31 < 8Y	14.50%	14.25%
01-Jul-32 < 9Y	14.50%	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	17-Nov-23	10-Nov-23
1 Year	5.24%	5.41%
2 Year	4.88%	5.04%
5 Year	4.45%	4.65%
10 Year	4.44%	4.63%
30 Year	4.59%	4.78%

MARKET INTEREST RATES	17-Nov-23	Last Month
AWPLR	13.14%	13.86%

	This Week	Last Week
FD Ceiling Rate (1Yr)	14.98%	15.00%

MONEY MARKET RATES	High	Low
Call Money	10.25%	10.50%
Repo Rates	11.00%	10.25%

Daily Summary

Thursday (16.11.2023): The secondary market displayed mixed activities throughout the day, amidst thin volumes and limited activities. Notably, 3Yr tenors including 15.05.2026 and 01.08.2026 traded within the range of 14.90%-14.75%. Meanwhile, 01.07.2028 saw trading within the range of 14.75%-14.80%, and 15.05.2030 traded at 14.40%. Additionally, in the forex market, the LKR experienced a significant depreciation against the USD, closing at LKR 328.6 for the day.

Friday (17.11.2023): The secondary bond market yield curve remained broadly unchanged while overall market witnessed thin volumes as investors awaited clarity on the interest rate movements ahead of the monetary policy announcement scheduled on 23rd Nov-23. With slight interest, liquid maturities 01.08.26 and 01.07.28 traded 14.70% and 14.80%, respectively, while on the long tenor, 15.07.32 changed hands at 14.85%. In the forex market, LKR marginally appreciated against the USD, closing at LKR 328.1 for the day.

Monday (20.11.23): The secondary market witnessed buying interest largely on the 2026 maturity, with 15.05.26 enticing trades at 14.90%. Furthermore, interest was also observed on 01.06.26, 01.08.26 and 15.01.27 maturities recording trades between 14.75%-14.65%. Moreover, few trades were also observed on 01.07.28 maturity with buying interest recording trades between 14.80%-14.75%. Meanwhile, slight selling interest was observed on the 15.05.30 maturity with trades done at 14.60%. Meanwhile, volumes continued to remain moderate ahead of the monetary policy meeting scheduled for 23rd Nov-23

Tuesday (21.11.23): The secondary market yield curve budged lower on the short to long end of the curve while recording considerable activities with moderate volumes ahead of the monetary policy meeting scheduled for 23rd Nov-23. With slight buying interest, short tenors 01.06.25 and 01.07.25 traded at 14.50% whilst 01.08.26, 01.06.26 and 15.01.27 maturities changed hands in the range of 14.75%-14.55%. Moreover, investor interest was also witnessed on 15.09.27 maturity which hovered in between 14.85%-14.75%. On the mid end, 01.05.28 and 01.07.28 quoted in the range of 14.75%-14.65%. In the forex market, LKR remained broadly stable against the USD at LKR 328.0.

Wednesday (22.11.23): The secondary market displayed moderate volumes with continuous buying interest observed at the short-end of the curve, where 01.06.25 and 01.07.25 traded in the range of 14.40%-14.20%. Moreover, 3Yr maturities including 01.06.26, 01.08.26, and 15.01.27 traded in the range of 14.65%-14.35%. 2027 maturities including 01.05.27 and 15.09.27 traded between 14.70%-14.60%. Additionally, 2028 maturities including 01.05.28 and 01.07.28 traded within the range of 14.65%-14.55%, and 15.05.30 traded between 14.50%-14.40%. Meanwhile, CBSL conducted its weekly bill auction and fully accepted the total offered of LKR 145.0Bn, whilst auction yields marginally edged down across 3M and 1Yr tenors. The 91-day maturity experienced higher reception with CBSL accepting LKR 85.9Bn, above the total offered of LKR 55.0Bn at 15.29% (-10Bps) whilst LKR 54.1Bn was accepted from the 182-day maturity with an unchanged weighted average yield of 14.75%, and LKR 5.1Bn was accepted from the 364-day maturity at a weighted average yield of 12.94% (-02Bps). Furthermore, in the forex market, LKR depreciated against the greenback and closed at LKR 328.4 at the end of the day.

OUTSTANDING STOCK	16-Nov-23	Previous Week	Change (%)
T-Bills [LKR 'Mn]	3,963,884	3,926,118	1.0%
T-Bonds [LKR 'Mn]	11,916,192	12,015,029	-0.8%
TOTAL	15,880,076	15,941,147	-0.4%

T-Bills & T-Bonds held by Foreigners			
Foreign Holding [LKR 'Mn]	137,528	144,085	-4.6%
Foreign Holding (%)	0.9%	0.9%	

MATURITY TABLE FOR NEXT WEEK		WEEK ENDING	1-Dec-23
Type	LKR ('Mn)	USD ('Mn)	
T-Bills	145,935		
T-Bonds			
T-Bond Interest	36,227		
SLDBs/Sovereign Bonds			
TOTAL	182,162		

T-BILL AUCTION				Auction Date	22-Nov-23	
Tenure	Current	Previous	Change	Offered	Bids	Accepted
	22-Nov-23	15-Nov-23	(bps)	LKR ('Mn)	LKR ('Mn)	LKR ('Mn)
91 days	15.29%	15.39%	-10	55,000	97,392	85,855
182 Days	14.75%	14.75%	0	60,000	87,993	54,051
364 Days	12.94%	12.96%	-2	30,000	31,682	5,094
Date of Settlement	24-Nov-23			145,000	217,067	145,000

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