



First Capital

WEEKLY GOVERNMENT SECURITIES MARKET

First Capital Research

November 29, 2023

For the week 23.11.2023-29.11.2023

"Debt restructuring progression fuels a bullish rally"

Weekly Yield Movement & Volume

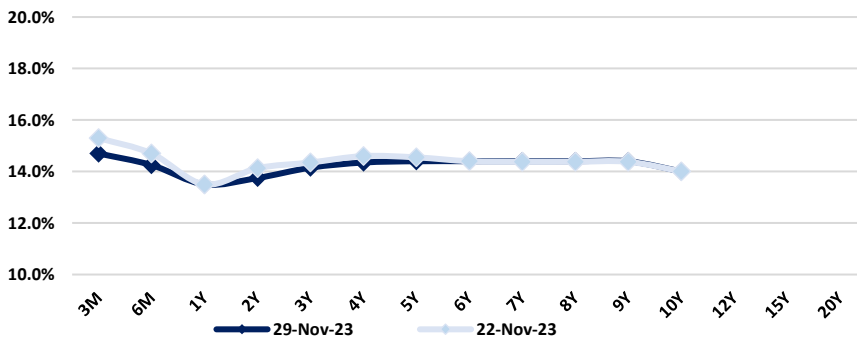
The secondary market exhibited mixed sentiment during the week, with active trading observed in the short to mid tenors. However towards the end, the market displayed buying interest fueled by optimism surrounding Sri Lanka's debt restructuring deal with official creditors, which led to a significant decrease of over 20bps in short to mid tenor yields.

At the last monetary policy meeting for the year held on 23rd Nov 2023, the Central Bank of Sri Lanka decided to reduce the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) of the Central Bank by 100bps to 9.00% and 10.00%, respectively after thoroughly examining the present and anticipated trends in both the domestic and global economy.

As the bond auction, CBSL raised LKR 45.0Bn and accepted the total offered with LKR 22.5Bn accepted from each maturity. Accordingly, 15.01.2027 was accepted at a WAYR of 14.48% while 01.09.2028 was accepted at 14.52%.

Meanwhile, CBSL conducted its weekly bill auction and fully accepted the total offered of LKR 160.0Bn, whilst auction yields edged down across the board. The 91-day and 182-day maturities experienced higher reception with CBSL accepting LKR 60.8Bn for the 91-day maturity (surpassing the total offered of LKR 60.0Bn) at 14.86% (-43Bps) and LKR 87.7Bn for the 182-day maturity (above the total offered of LKR 70.0Bn) at 14.52% (-23Bps). Additionally, LKR 11.5Bn was accepted from the 364-day maturity at a weighted average yield of 12.89% (-05Bps).

In the Forex market, LKR depreciated against the USD with rupee being recorded at LKR 329.5 compared to LKR 328.5 recorded during the beginning of the week.



Liquidity & CBSL Holdings

Market Liquidity remained volatile and slightly improved during the week. At the beginning, excess liquidity was recorded at LKR -84.6Bn and improved to LKR -28.8Bn by the end of the week. Meanwhile, CBSL holdings marginally declined to LKR 2,779.4Bn from LKR 2,799.4Bn recorded during the beginning of the week.

Foreign Interest

Foreign holding in government securities decreased by LKR 6.9Bn to LKR 130.6Bn whilst foreign holding percentage declined to 0.8%.

Maturities for next week

The Government Securities market has to settle a Treasury bill amounting to LKR 170.3Bn for the week ending 08th Dec-23.

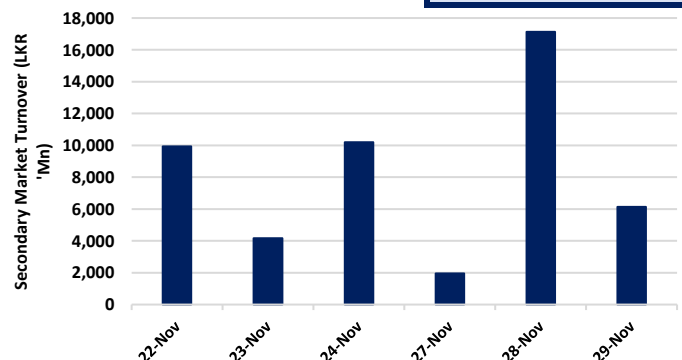
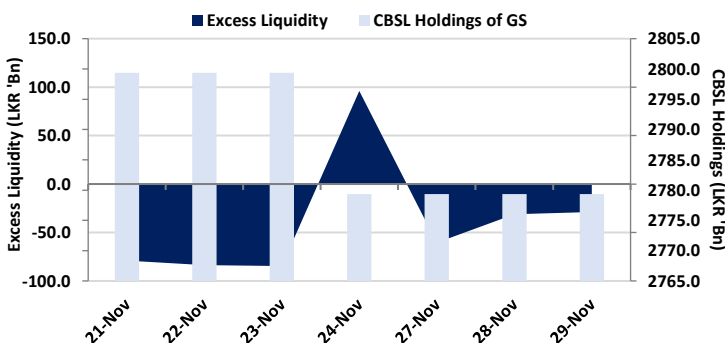
TENURE	BID	OFFER
< 91 Days < 3M	14.90%	14.50%
< 182 Days < 6M	14.50%	14.00%
< 364 Days < 1Y	14.00%	13.00%
01-Jul-25 < 2Y	13.90%	13.60%
01-Jun-26 < 3Y	14.20%	14.10%
15-Sep-27 < 4Y	14.40%	14.30%
01-Jul-28 < 5Y	14.45%	14.35%
15-Jul-29 < 6Y	14.45%	14.35%
15-May-30 < 7Y	14.50%	14.30%
15-May-31 < 8Y	14.50%	14.30%
01-Jul-32 < 9Y	14.50%	14.30%
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	24-Nov-23	17-Nov-23
1 Year	5.27%	5.24%
2 Year	4.92%	4.88%
5 Year	4.49%	4.45%
10 Year	4.47%	4.44%
30 Year	4.60%	4.59%

MARKET INTEREST RATES	24-Nov-23	Last Month
AWPLR	13.05%	13.88%

	This Week	Last Week
FD Ceiling Rate (1Yr)	14.95%	14.98%

MONEY MARKET RATES	High	Low
Call Money	9.50%	9.25%
Repo Rates	10.00%	9.25%



Daily Summary

Thursday (23.11.2023): The secondary market witnessed buying interest during the morning trading hours yet sentiment changed and selling interest emerged after the CBSL announcement of LKR 45.0Bn bond auction scheduled for 28th November 2023. Thus, moderate volumes were observed during the day with 01.06.26 and 01.08.26 maturities recording trades between 14.35%-14.45% whilst 15.01.27 maturity recorded trades between 14.55%-14.65%. Furthermore, selling interest was also observed on the 01.07.28 maturity with trades happening between 14.53%-14.75% whilst trades were observed on 01.07.32 maturity at 14.40%.

Friday (24.11.2023): The Monetary Policy Board of the Central Bank of Sri Lanka, at its meeting held on 23rd Nov-23, decided to reduce the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) of the Central Bank by 100bps to 9.00% and 10.00%, respectively after thoroughly examining the present and anticipated trends in both the domestic and global economy. Following the policy rate cut, a modest buying interest picked up in the secondary market predominantly centered on short to mid end. Accordingly, on the short end 01.06.2025 and 01.07.2025 recorded trades at 14.00%. Meanwhile, 01.08.2026 traded at 14.25% while both 01.05.2027 and 01.07.2028 enticed trades at 14.40% amidst moderate volumes. However, as the session progressed, selling pressure emerged in the secondary market with interest reversed on 2026 tenor as maturities 15.05.2026, 01.06.2026 and 01.08.2026 hovered in the range 14.40%-14.60%. Moreover, 15.09.2027 recorded trades in the range 14.45%-14.55% while 01.07.2028 hovered between 14.45%-14.60%.

Monday (27.11.23): Secondary market witnessed a slight selling pressure ahead of the Treasury Bond auction. Accordingly 01.06.2026 hovered between 14.30%-14.35% while 2028 maturities 01.05.2028 and 01.07.2028 traded at 14.55% in the midst of limited activities and thin volumes. Conversely, 15.01.2027 attracted a slim buying appetite with trades observed at 14.42%. Meanwhile, CBSL is expected to raise LKR 45.0Bn with LKR 22.5Bn raised each from 15.01.2027 and 01.09.2028 maturities. Meanwhile, rupee remained broadly against the greenback closing at LKR 328.7.

Tuesday (28.11.23): At the last bond auction for the month of November, CBSL raised LKR 45.0Bn and accepted the total offered with LKR 22.5Bn accepted from each maturity. Accordingly, 15.01.2027 was accepted at a WAYR of 14.48% while 01.09.2028 was accepted at 14.52%. Following the auction outcome, secondary market experienced a buying appetite on mid tenors 01.06.2026, 01.08.2026 and 15.01.2027 which hovered between 14.40%-14.20%. Further, 01.07.2028 enticed trades between 14.60%-14.50%. However, investor sentiment reversed during the latter part of the session, with mixed interest observed on the same mid tenors where 01.06.2026, 01.08.2026 and 15.01.2027 traded slightly higher between 14.45%-14.35%. On the external side, LKR depreciated against the USD during the day as it closed at LKR 329.0.

Wednesday (29.11.23): The secondary market displayed buying interest fueled by optimism surrounding Sri Lanka's debt restructuring deal with official creditors. Buying interest was primarily observed on mid tenors amidst thin volumes, where 15.05.26, 01.06.26, 01.08.26 and 15.01.27 maturities traded between 14.30%-14.15%. Additionally, 01.05.27 and 15.09.27 maturities traded in the range of 14.50%-14.33%. Among 5Yr tenors, 01.05.28 and 01.07.28 traded between 14.45%-14.35%, whilst 01.07.32 traded from 14.40%-14.30%. Meanwhile, CBSL conducted its weekly bill auction and fully accepted the total offered of LKR 160.0Bn, whilst auction yields edged down across the board. The 91-day and 182-day maturities experienced higher reception with CBSL accepting LKR 60.8Bn for the 91-day maturity (surpassing the total offered of LKR 60.0Bn) at 14.86% (-43Bps) and LKR 87.7Bn for the 182-day maturity (above the total offered of LKR 70.0Bn) at 14.52% (-23Bps). Additionally, LKR 11.5Bn was accepted from the 364-day maturity at a weighted average yield of 12.89% (-05Bps). Furthermore, in the forex market, LKR depreciated against the greenback and closed at LKR 329.5 at the end of the day.

OUTSTANDING STOCK	23-Nov-23	Previous Week	Change (%)
T-Bills [LKR 'Mn]	3,987,573	3,963,884	0.6%
T-Bonds [LKR 'Mn]	11,916,192	11,916,192	0.0%
TOTAL	15,903,765	15,880,076	0.1%
T-Bills & T-Bonds held by Foreigners			
Foreign Holding [LKR 'Mn]	130,596	137,528	-5.0%
Foreign Holding (%)	0.8%	0.9%	
MATURITY TABLE FOR NEXT WEEK		WEEK ENDING	08-Dec-23
Type	LKR ('Mn)	USD ('Mn)	
T-Bills	170,268		
T-Bonds			
T-Bond Interest			
SLDBs/Sovereign Bonds			
TOTAL	170,268		

T-BILL AUCTION				Auction Date	29-Nov-23	
Tenure	Current	Previous	Change	Offered	Bids	Accepted
	29-Nov-23	22-Nov-23	(bps)	LKR ('Mn)	LKR ('Mn)	LKR ('Mn)
91 days	14.86%	15.29%	-43	60,000	117,846	60,834
182 Days	14.52%	14.75%	-23	70,000	131,234	87,680
364 Days	12.89%	12.94%	-5	30,000	41,399	11,486
Date of Settlement	01-Dec-23			160,000	290,479	160,000

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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 Ranatunga	+94 11 2639 863	Zaeema Jihan	+94 11 2639 863
Vinodhini Rajapooopathy	+94 11 2639 866	Nethmi Fernando	+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
-----	------------------	-----------------

Colombo

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

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.
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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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