



First Capital

WEEKLY GOVERNMENT SECURITIES MARKET

First Capital Research

December 13, 2023

For the week 07.12.2023-13.12.2023

"IMF triumph fuels bullish surge; Optimism on the rise"

Weekly Yield Movement & Volume

The secondary market yield curve exhibited a slight decline over the week amidst looming bullish interest while the IMF approval for the 2nd tranche further boosted buying appetite among investors. Meanwhile, yields at the weekly T-Bill auction continued to taper down across the board for the third consecutive week.

Market opened the week on a bullish note with investor interest centered from short to mid tenors. However, by mid-week a mixed sentiment surfaced ahead of primary market auctions. Nevertheless, buying appetite remained strong post auctions while securing the IMF approval for the 2nd tranche of the EFF further bolstered buying interest. Consequently, two-way quotes on the short end declined by 10-20bps, while mid tenors budged down by 05-25bps with the largest declines observed on 2025 and 2026 maturities over the week.

Meanwhile, CBSL conducted its first bond auction for the month of December expecting to raise LKR 160.0Bn. However, CBSL fully rejected the bids for 15.03.2031, whilst 01.08.2026 and 15.12.2028 were accepted at a WAYR of 14.07% and 14.32%, respectively.

Moreover, CBSL conducted its weekly T-Bill auction where only LKR 216.0Bn was accepted out of LKR 220.0Bn offered. Accordingly, weighted average yield rates nudged down across the board with 03M closing at 14.59% (-8bps), 06M closing at 14.29% (-9bps) whilst 01Yr registering at 12.83% (-5bps).

In the Forex market, LKR slightly appreciated against the USD with rupee being recorded at LKR 326.8 compared to LKR 327.1 recorded during the beginning of the week.

Liquidity & CBSL Holdings

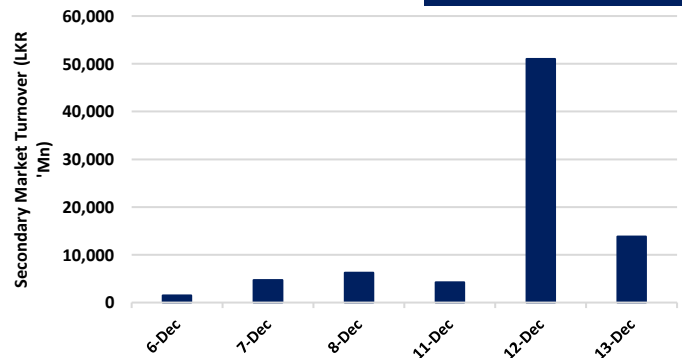
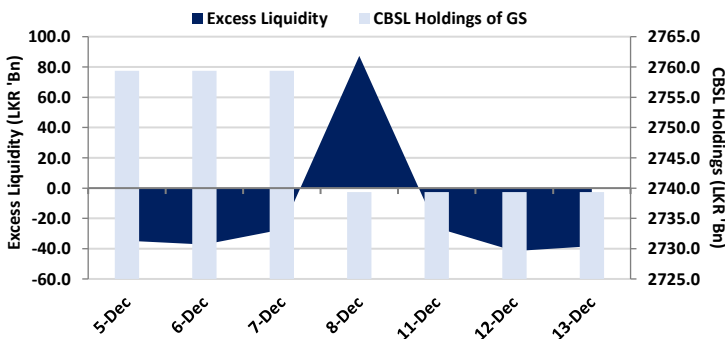
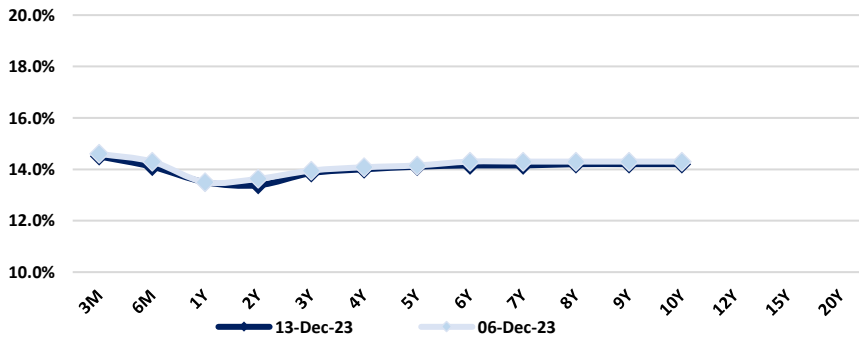
Market Liquidity remained volatile and declined during the week. At the beginning, excess liquidity was recorded at LKR -27.4Bn and declined to LKR -38.3Bn by the end of the week. Meanwhile, CBSL holdings marginally declined to LKR 2739.4Bn from LKR 2,759.4Bn recorded during the beginning of the week.

Foreign Interest

Foreign holding in government securities decreased narrowly by LKR 1.0Bn to LKR 123.8Bn whilst foreign holding percentage remained stagnant at 0.8%.

Maturities for next week

The Government Securities market has to settle a Treasury bill amounting to LKR 158.5Bn for the week ending 22nd Dec-23.



TENURE	BID	OFFER
< 91 Days < 3M	14.60%	14.40%
< 182 Days < 6M	14.20%	14.00%
< 364 Days < 1Y	14.00%	13.00%
01-Jul-25 < 2Y	13.50%	13.25%
01-Jun-26 < 3Y	13.90%	13.80%
15-Sep-27 < 4Y	14.05%	13.95%
01-Jul-28 < 5Y	14.15%	14.05%
15-Jul-29 < 6Y	14.20%	14.10%
15-May-30 < 7Y	14.20%	14.10%
15-May-31 < 8Y	14.25%	14.15%
01-Jul-32 < 9Y	14.25%	14.15%
15-Jan-33 < 10Y	14.25%	14.15%
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	8-Dec-23	1-Dec-23
1 Year	5.13%	5.05%
2 Year	4.71%	4.56%
5 Year	4.24%	4.14%
10 Year	4.23%	4.22%
30 Year	4.31%	4.40%

MARKET INTEREST RATES	8-Dec-23	Last Month
AWPLR	12.79%	13.03%

	This Week	Last Week
FD Ceiling Rate (1Yr)	14.89%	14.92%

MONEY MARKET RATES	High	Low
Call Money	9.25%	9.01%
Repo Rates	10.00%	9.10%

Daily Summary

Thursday (07.12.2023): The secondary market yield curve budgeted lower on the short end of the curve as bullish optimism picked up. Accordingly, investor interest largely centered on 3M bill which traded at 14.30% whilst on the short end, 15.05.26 and 01.06.26 changed hands at 14.05% and 13.95%, respectively. Meanwhile, mid end maturities 15.01.27, 15.09.27, 15.01.28 and 01.07.28 too witnessed buying sentiment which traded at 14.00%, 14.15%, 14.20% and 14.15%, respectively. Meanwhile, CBSL announced LKR 160.0Bn bond auction scheduled to take place on the 12th Dec-23 where LKR 50.0Bn, LKR 80.0Bn and LKR 30.0Bn were issued under 01.08.26, 15.12.28 and 15.03.31 maturities, respectively. In the forex market, LKR appreciated against the USD, closing at LKR 327.1 for the day.

Friday (08.12.2023): With the announcement of the LKR 160.0Bn bond auction scheduled for 12th Dec-23, mixed activities were observed on the secondary market with 01.08.26 maturity observing trades between 14.05%-14.10% whilst the 01.07.28 and 01.05.28 maturities recorded trades between 14.25%-14.30%. However, slight buying interest was observed on the short tenures during the day with 6-month treasury bill recording trades at 14.10% whilst 01.07.25 maturity recorded trades at 13.50%. Meanwhile, thin volumes continued to persist in the secondary market on the back of limited activities.

Monday (11.12.2023): The secondary market witnessed mixed investor activities ahead of the bond auction for LKR 160.0Bn. On the back of this, very low volumes was observed during the day with 15.05.26 recording trades at 14.15%, 15.09.27 trading at 14.22% and 15.07.28 observing trades at 14.25%. Meanwhile, on CBSL indicative spot rate, greenback appreciated slightly compared to Friday and closed at LKR 326.93

Tuesday (12.12.2023): CBSL conducted its first bond auction for the month of December expecting to raise LKR 160.0Bn. However, CBSL fully rejected the bids for 15.03.2031, whilst 01.08.2026 and 15.12.2028 were accepted at a WAYR of 14.07% and 14.32%, respectively. Following the bond auction, rates experienced a decline with 2026 maturities being traded in the bracket of 14.10%-13.95%. Similarly, 2027 maturities including 15.01.27 saw trading within the range of 14.10%-13.95%, whilst 01.05.27 and 15.09.27 traded between 14.20%-14.10%. Additionally, 2028 maturities were observed trading in the range of 14.25%-14.15%, whilst 15.05.30 traded at 14.25%. Meanwhile, CBSL announced the issuance of LKR 220.0Bn in T-Bills through an auction scheduled for 13th Dec-23. Furthermore, in the forex market, the LKR depreciated against the greenback and closed at LKR 327.2 at the end of the day.

Wednesday (13.12.23): Resulted by the success of the IMF review meeting which was held on the 12th Dec-23, which decided to disburse the 2nd tranche of the EFF (approximately USD 337.0Mn), the secondary market witnessed active buying interest during the day. Moreover, 2026 maturities traded at 13.90%-13.85% whilst, 15.09.27 maturity traded at 14.00%. Furthermore, 01.07.28 tenor traded between 14.15%-14.10% whilst, 15.05.30 traded at 14.10% respectively. Meanwhile the CBSL conducted its weekly T-Bill auction where only LKR 216.0Bn was accepted out of LKR 220.0Bn offered. Accordingly, weighted average yield rates nudged down across the board with 03M closing at 14.59% (-8bps), 06M closing at 14.29% (-9bps) whilst 01Yr registering at 12.83% (-5bps). In the forex market LKR remained broadly stagnant at LKR 327.0 against the greenback.

OUTSTANDING STOCK	7-Dec-23	Previous Week	Change (%)
T-Bills [LKR 'Mn]	4,052,594	4,007,558	1.1%
T-Bonds [LKR 'Mn]	11,966,054	11,916,554	0.4%
TOTAL	16,018,648	15,924,112	0.6%
T-Bills & T-Bonds held by Foreigners			
Foreign Holding [LKR 'Mn]	123,830	124,877	-0.8%
Foreign Holding (%)	0.8%	0.8%	
MATURITY TABLE FOR NEXT WEEK		WEEK ENDING	22-Dec-23
Type	LKR ('Mn)	USD ('Mn)	
T-Bills	158,486		
T-Bonds			
T-Bond Interest			
SLDBs/Sovereign Bonds			
TOTAL	158,486		

T-BILL AUCTION				Auction Date	13-Dec-23	
Tenure	Current	Previous	Change	Offered	Bids	Accepted
	13-Dec-23	6-Dec-23	(bps)	LKR ('Mn)	LKR ('Mn)	LKR ('Mn)
91 days	14.59%	14.67%	-8	70,000	132,735	113,249
182 Days	14.29%	14.38%	-9	75,000	139,990	94,623
364 Days	12.83%	12.88%	-5	75,000	75,571	8,120
Date of Settlement			15-Dec-23	220,000	348,296	215,992

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