

Report Date: 12th August 2016 (SL Time 06.00pm)

Market Report

The secondary bond market yields moved up across the board at the close of trading today as local investors realized some gains from the recent rally while most of the selling was absorbed by the foreign investors. At the close of trading the benchmark 10year maturity 01st August 2026 was quoted as 12.47/12.53 with Rs 2.7bn being transacted on the Bloomberg trading platform in the range of 12.45 to 12.48.

Foreign investors remained net buyers in the government securities market for the week ended 10th August 2016 with a net inflow of Rs 3.21bn.

In the overnight money market Rs 40bn worth of repo and call money were exchanged at an average of 8.51% & 8.40% respectively. The overall market liquidity recorded a deficit figure of Rs 40bn as CBSL continued with its OMO activities by infusing Rs 45bn worth of money to the overnight market at an average rate of 8.33%.

The Colombo All Share Price Index gained marginally by 5.01 points for the week to close at 6522.14 as gains in the Investment, Diversified Holdings and Footwear & Textile sectors led shares higher. Foreign investors remained net buyers for the week with a net foreign inflow of Rs 535.357mn

Economic News

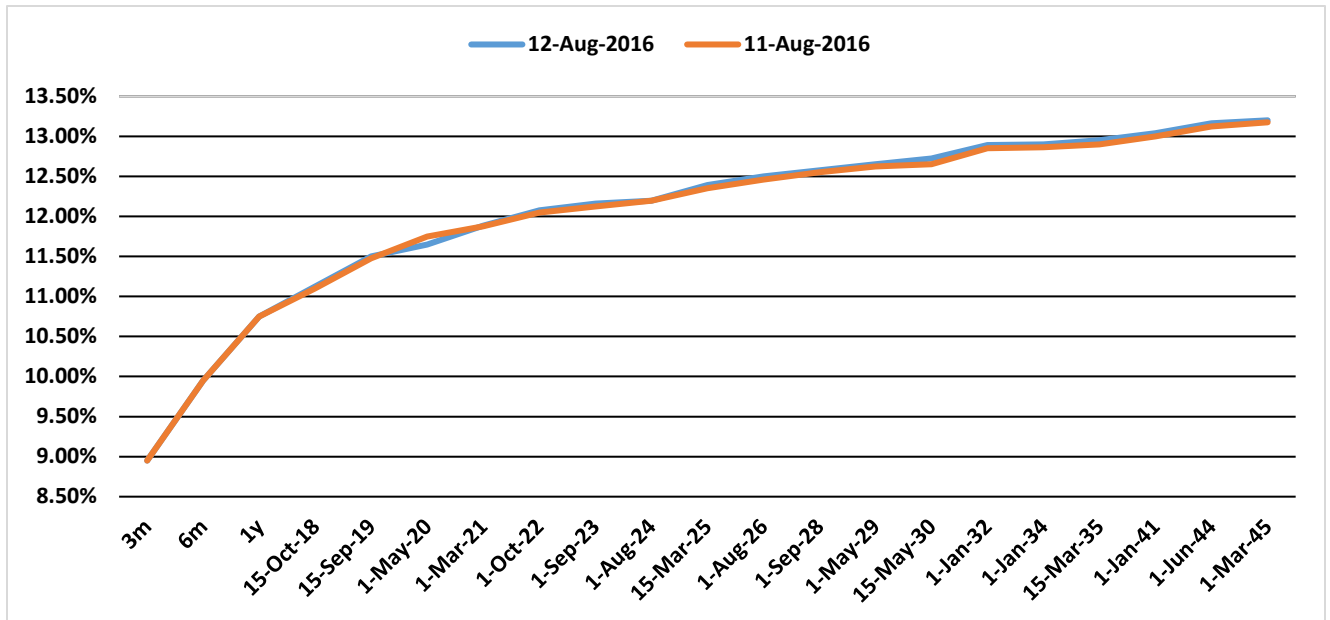
- The special committee on Valued Added Tax revision, consisting of ministers from the Sri Lanka Freedom Party (SLFP), has recommended that the monthly VAT threshold be increased from Rs 1 million to Rs. 2 million. If the recommendation is implemented, all businesses that earn Rs. 2 million or more per month will need to register to pay VAT.
- The Asian Development Bank (ADB) will give a 128 million US dollar loan for a greater Colombo water and wastewater management improvement investment program to assist achieve providing safe water and full sanitation coverage.
- The International Monetary Fund has agreed in principle to grant Egypt a \$12 billion three-year loan facility, to support a government reform program aimed at plugging a budget gap and rebalancing the currency markets.
- Oil prices rose by around 1 percent on Friday, extending gains from the previous session on expectations that exporters could talk at an upcoming meeting about ways to prop up a market that continues to be dogged by a supply overhang.

Market Calendar

- Japan GDP data for Q2 – **15th August 2016**
- T-Bill auction (CBSL)- **16th August 2016 (Total offered Rs 23bn)**
(3months- 5.5bn, 6months- 5.5bn, 12months- 12bn)

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Sri Lanka Yield Curve

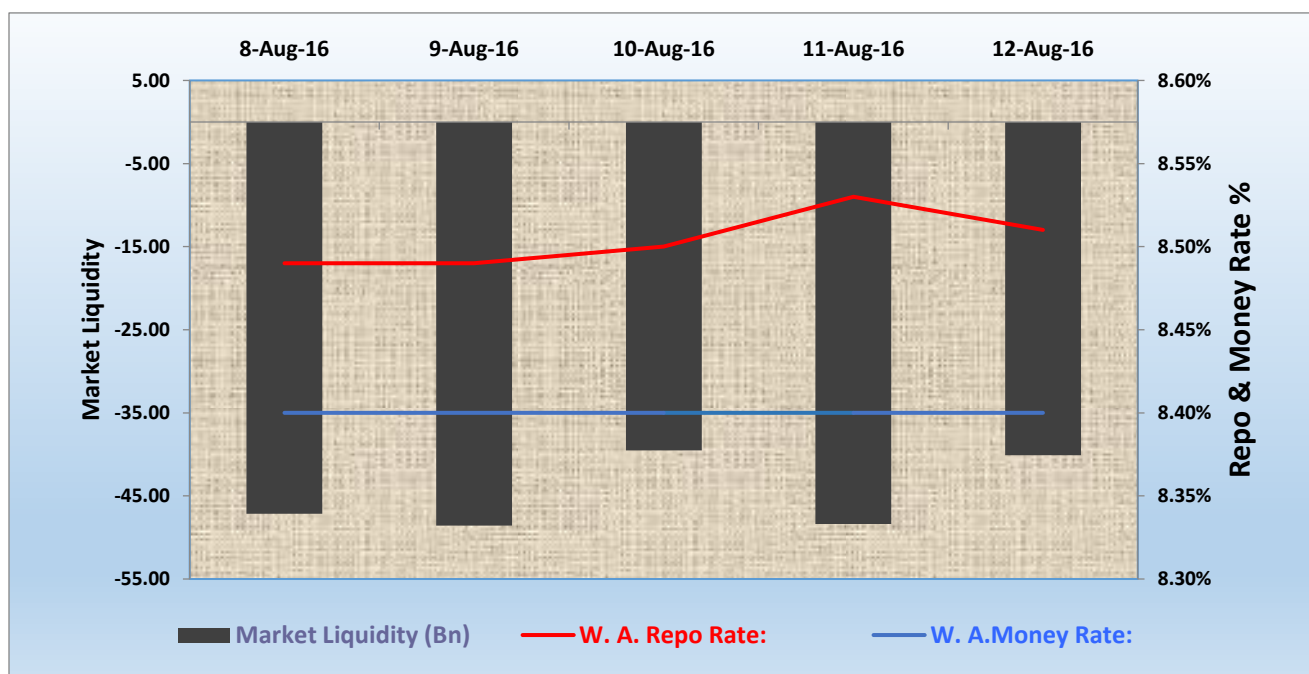


Maturity	Offer %	Bid %	GAP	12-Aug-2016	11-Aug-2016
3m	8.90%	9.00%		8.95%	8.95%
6m	9.90%	10.00%	1.00%	9.95%	9.95%
1y	10.70%	10.80%	0.80%	10.75%	10.75%
15-Oct-18	11.05%	11.20%	0.38%	11.13%	11.10%
15-Sep-19	11.45%	11.55%	0.38%	11.50%	11.48%
1-May-20	11.60%	11.70%	0.15%	11.65%	11.75%
1-Mar-21	11.87%	11.90%	0.23%	11.89%	11.88%
1-Oct-22	12.05%	12.10%	0.19%	12.08%	12.05%
1-Sep-23	12.12%	12.20%	0.09%	12.16%	12.13%
1-Aug-24	12.17%	12.22%	0.04%	12.20%	12.20%
15-Mar-25	12.35%	12.43%	0.19%	12.39%	12.35%
1-Aug-26	12.47%	12.53%	0.11%	12.50%	12.46%
1-Sep-28	12.55%	12.60%	0.08%	12.58%	12.55%
1-May-29	12.60%	12.70%	0.08%	12.65%	12.63%
15-May-30	12.65%	12.80%	0.08%	12.73%	12.65%
1-Jan-32	12.80%	12.98%	0.17%	12.89%	12.85%
1-Jan-34	12.80%	13.00%	0.01%	12.90%	12.87%
15-Mar-35	12.85%	13.05%	0.05%	12.95%	12.90%
1-Jan-41	13.00%	13.08%	0.09%	13.04%	13.00%
1-Jun-44	13.10%	13.23%	0.12%	13.17%	13.13%
1-Mar-45	13.15%	13.25%	0.04%	13.20%	13.18%

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Market Liquidity	8-Aug-16	9-Aug-16	10-Aug-16	11-Aug-16	12-Aug-16
Standing Deposit Facility(Bn)	14.918	4.006	4.771	9.398	12.478
Standing Lending Facility(Bn)	(16.065)	(8.562)	(4.299)	(12.784)	(7.581)
Repo/Reverse Repo Auction (Bn)	(46.000)	(44.000)	(40.000)	(45.000)	(45.000)
Market Liquidity (Bn)	(47.147)	(48.556)	(39.528)	(48.386)	(40.103)
CBSL Holdings: (Bn)	275.326	265.885	257.613	271.228	266.085

Overnight Money Market	8-Aug-16	9-Aug-16	10-Aug-16	11-Aug-16	12-Aug-16
Repo					
W. A. Repo Rate:	8.49%	8.49%	8.50%	8.53%	8.51%
Gross Amount:(LKR Bn)	29.19	28.84	26.59	23.95	26.07
Call Money					
W. A. Money Rate:	8.40%	8.40%	8.40%	8.40%	8.40%
Gross Amount:(LKR Bn)	12.72	13.20	12.07	9.95	13.13

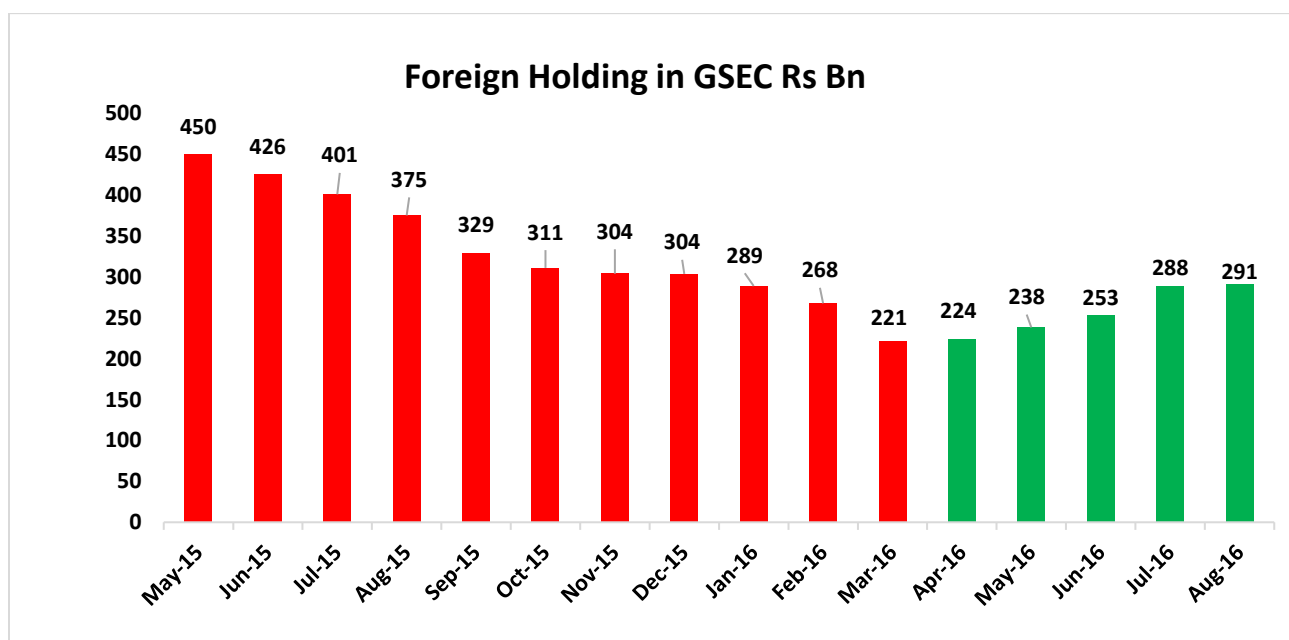


U.S. \$ Yield	8-Aug-16	9-Aug-16	10-Aug-16	11-Aug-16	12-Aug-16
U.S. 10 Year Yield	1.589%	1.582%	1.540%	1.522%	1.522%
Sri Lanka Int Sovereign Yield 2026	6.087%	6.031%	5.939%	5.896%	5.645%

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Spot Opening :	145.50/65	145.50/65	145.50/65	145.50/65	145.50/55
Spot Closing :	145.70/80	145.70/80	145.70/80	145.70/80	145.50/55

Forex Volumes (11-Aug-2016)	USD (Mn)	Average	Colombo Stock Exchange (12th August 2016)		
Cash	17.00	145.4471		ASPI	S & P SL 20
TOM	15.25	145.4731	Index	6,514.77	3,554.64
Spot	1.00	145.5000	Weekly Return %	0.08%	1.00%
Forwards	31.01				
Total	64.26				



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