

Report Date: 26th August 2016 (SL Time 06.00pm)

Market Report

The bond market yields on mid-term maturities showed a 25-35bps decline from previous weeks close as foreign investors continued to buy more in the 2021, 2024 & 2026 maturities. At the close of trading the liquid 8year maturity 01st August 2024 was quoted as 12.02/12.08 while the benchmark 10year maturity 01st August 2026 was exchanged between 12.33 and 12.37.

Foreign investors remained net buyers for the week ended 24th August 2016 with a net inflow of Rs 6.7bn. The overall foreign holding on government securities stood at Rs 302.41bn.

In the overnight money market repo and call money were exchanged at an average rate of 8.51% & 8.40% respectively. The overall market liquidity recorded a deficit figure of Rs 1.29bn. The CBSL continued with its OMO activities by injecting overnight money to the market at an average rate of 8.43%.

The Colombo All Share Price Index lost 0.78% for the week to close at 6550.91 points as losses in the Power, Diversified Holdings and Healthcare sectors led shares lower. The average market turnover for the week was around Rs 1.01bn. Foreign investors remained net sellers with a net foreign outflow of Rs 656.42mn.

Economic News

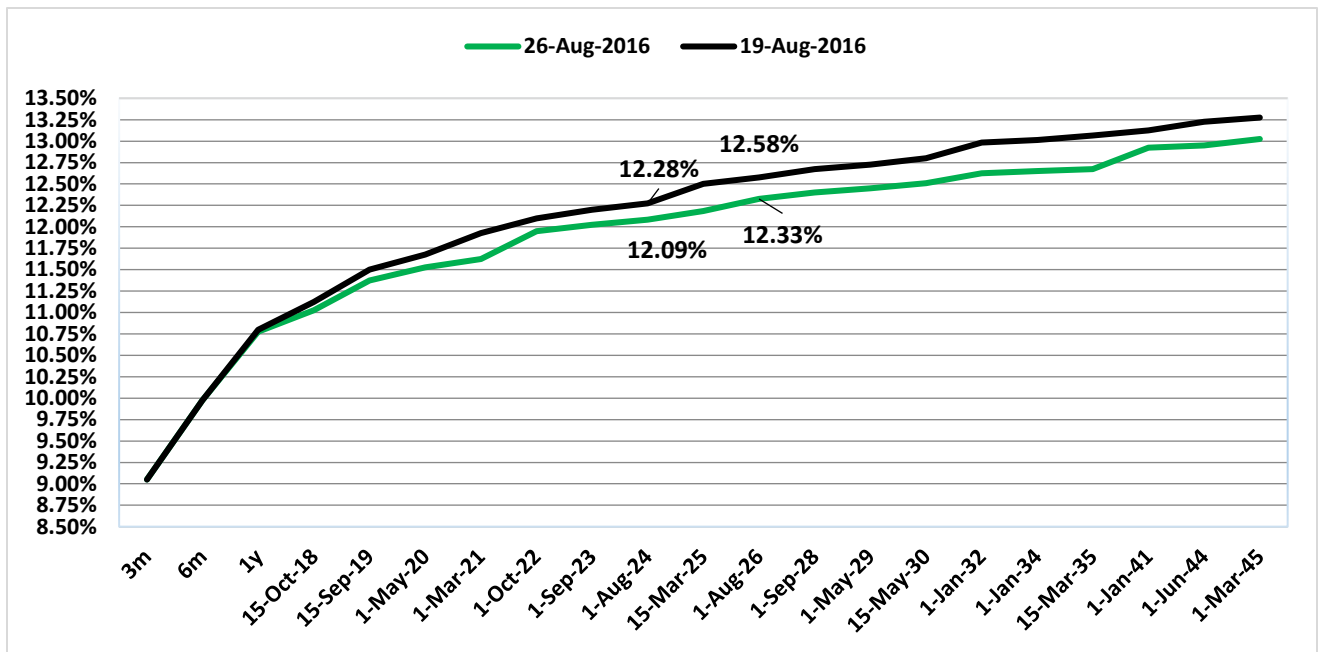
- Sri Lanka is seeking a consortium that must include a company from the Indian subcontinent to bid for a \$400 million contract to build a port terminal, the ports minister said on Thursday.
- An unusually large group of Federal Reserve policymakers appeared before activists on Thursday and defended their plans to raise interest rates to keep the U.S. economy from eventually overheating. Several policymakers said raising interest rates gradually would allow them to stimulate the economy for longer, but that an overheating economy could end in a recession.
- Japan's core consumer prices fell for a fifth straight month and marked the biggest annual drop in more than three years in July as more firms held back price hikes due to weak consumption, keeping the central bank under pressure to expand an already massive stimulus program.
- Oil prices were lower for the second straight session on Friday, as markets remained fixated on a global supply glut and amid fading hopes that major oil producers will reach a deal to freeze output.

Market Calendar

- Sri Lanka Monetary Policy Review for the month of August- **30th August 2016 (6.00pm)**
- Colombo Consumer Price Index for the month of August – **31st August (3.00pm)**
- Treasury bill auction (CBSL)- **31st August 2016** (Total offered 26bn)
(3months- 6bn, 6months- 8bn, 12months- 12bn)

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Sri Lanka Yield Curve

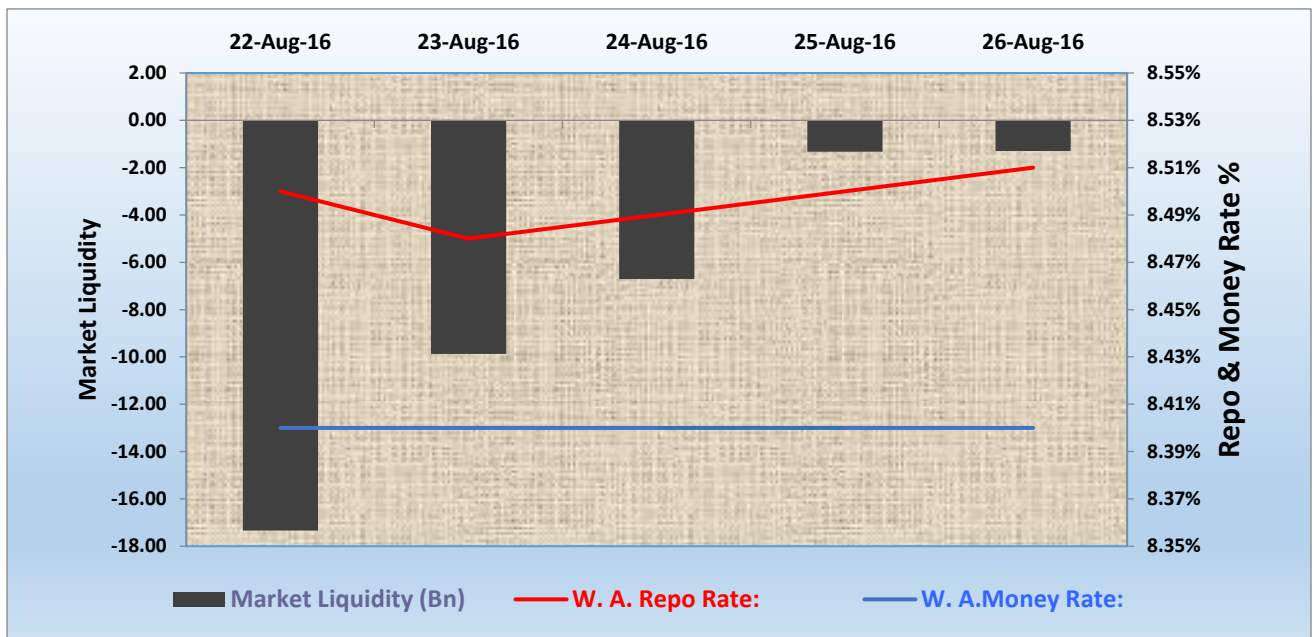


Maturity	Offer %	Bid %	GAP	26-Aug-2016	19-Aug-2016
3m	9.00%	9.10%		9.05%	9.05%
6m	9.90%	10.05%	0.93%	9.98%	9.98%
1y	10.70%	10.85%	0.80%	10.78%	10.80%
15-Oct-18	11.00%	11.05%	0.25%	11.03%	11.13%
15-Sep-19	11.35%	11.40%	0.35%	11.38%	11.50%
1-May-20	11.50%	11.55%	0.15%	11.53%	11.68%
1-Mar-21	11.55%	11.70%	0.10%	11.63%	11.93%
1-Oct-22	11.90%	12.00%	0.32%	11.95%	12.10%
1-Sep-23	12.00%	12.05%	0.08%	12.03%	12.20%
1-Aug-24	12.05%	12.12%	0.06%	12.09%	12.28%
15-Mar-25	12.15%	12.22%	0.10%	12.19%	12.50%
1-Aug-26	12.30%	12.35%	0.14%	12.33%	12.58%
1-Sep-28	12.35%	12.45%	0.08%	12.40%	12.68%
1-May-29	12.40%	12.50%	0.05%	12.45%	12.73%
15-May-30	12.47%	12.55%	0.06%	12.51%	12.80%
1-Jan-32	12.55%	12.70%	0.12%	12.63%	12.99%
1-Jan-34	12.60%	12.70%	0.03%	12.65%	13.02%
15-Mar-35	12.65%	12.70%	0.03%	12.68%	13.07%
1-Jan-41	12.85%	13.00%	0.25%	12.93%	13.13%
1-Jun-44	12.90%	13.00%	0.03%	12.95%	13.23%
1-Mar-45	12.95%	13.10%	0.08%	13.03%	13.28%

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Market Liquidity	22-Aug-16	23-Aug-16	24-Aug-16	25-Aug-16	26-Aug-16
Standing Deposit Facility(Bn)	14.585	13.678	15.659	16.172	19.266
Standing Lending Facility(Bn)	(16.917)	(8.553)	(7.363)	(7.498)	(5.562)
Repo/Reverse Repo Auction (Bn)	(15.000)	(15.000)	(15.000)	(10.000)	(15.000)
Market Liquidity (Bn)	(17.332)	(9.875)	(6.704)	(1.326)	(1.296)
CBSL Holdings: (Bn)	237.136	228.823	227.697	222.890	222.700

Overnight Money Market	22-Aug-16	23-Aug-16	24-Aug-16	25-Aug-16	26-Aug-16
Repo					
W. A. Repo Rate:	8.50%	8.48%	8.49%	8.50%	8.51%
Gross Amount:(LKR Bn)	37.84	44.05	44.29	43.11	43.37
Call Money					
W. A. Money Rate:	8.40%	8.40%	8.40%	8.40%	8.40%
Gross Amount:(LKR Bn)	12.95	11.69	10.11	10.85	10.17



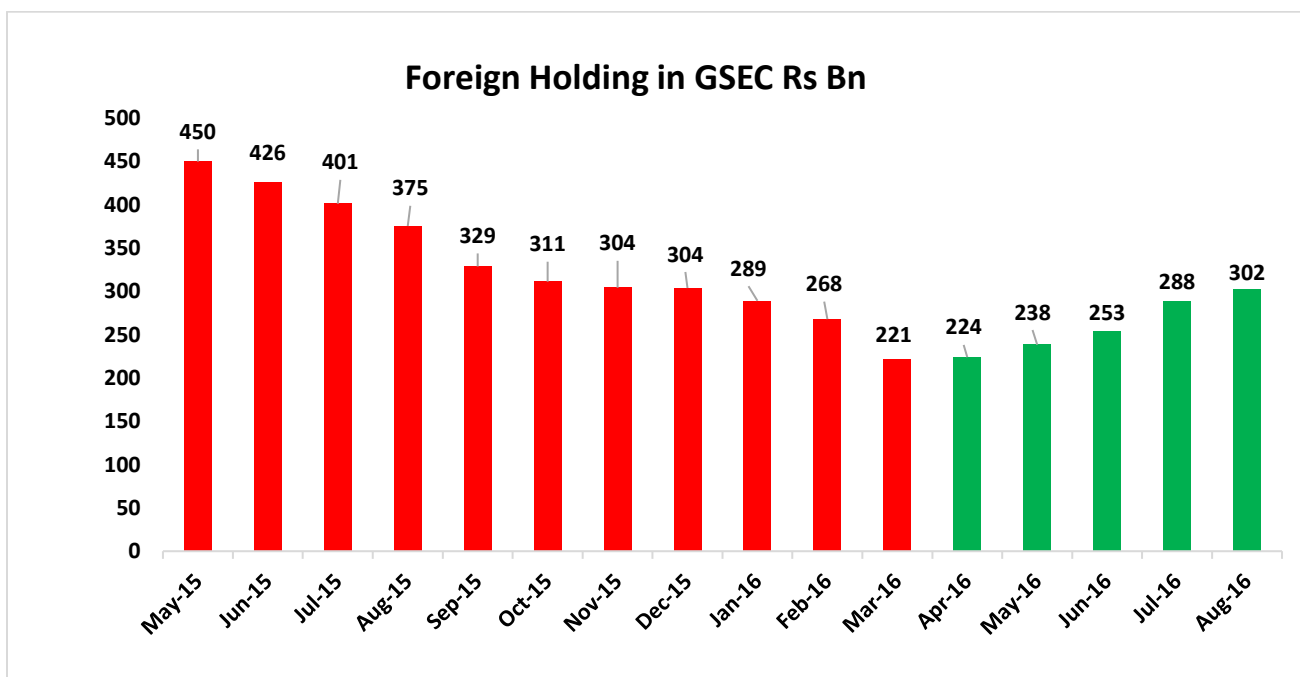
U.S. \$ Yield	22-Aug-16	23-Aug-16	24-Aug-16	25-Aug-16	26-Aug-16
U.S. 10 Year Yield	1.592%	1.561%	1.554%	1.558%	1.568%
Sri Lanka Int Sovereign Yield 2026	5.728%	5.785%	5.800%	5.818%	5.828%

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Spot Opening :	145.50/55	145.50/60	145.50/60	145.50/60	145.50/60
Spot Closing :	145.50/55	145.50/60	145.50/60	145.50/60	145.50/60

Spot Next 145.60/70

Forex Volumes (25-Aug-2016)	USD (Mn)	Average	Colombo Stock Exchange (26-Aug-2016)		
Cash	8.00	145.5694		ASPI	S & P SL 20
TOM	4.00	145.6119	Index	6,550.91	3,584.93
Spot	1.00	145.8525	Weekly Return %	-0.78%	-1.32%
Forwards	13.76				
Total	26.76				



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