

Report Date: 23rd February 2017 (SL Time 06.00pm)

Market Report

The secondary market yields spiked after the bond auction as the maturity 2021, 2024 and 2026 went up by 30 to 50 bps following the trend set by the auction outcome. At the close of trading 15th Dec 2021 was quoted as 12.10/25 while the 1st Aug 2024 was exchanged between 13.05 to 13.20.

Today's Treasury bond auction yields unexpectedly went up with the maturity 15th Jan 2019 accepted at an average rate of 12.10 and the maturities 15th Dec 2021 & 01st Aug 2024 both accepted at 12.89 while the maturity 01st Aug 2026 accepted at an average rate of 12.91. Total Rs 57bn worth of bids accepted and more being taken from maturity 2024 & 2026.

In the overnight money market repo & call money were exchanged at an average rate of 8.66% & 8.49% respectively. The CBSL continued with its OMO activities by injecting Rs 27.79bn worth of overnight money to the system through a Re-repo Auction at the rate of 8.47% as overnight market liquidity recorded a deficit figure of Rs 38.63bn.

The Colombo All Share Price Index gained 0.14% for the day to close at 6,138.14 points as gains in the Plantations, Investment Trust and Banking, Financials & Insurance sectors led shares higher. Foreign investors remained net buyers for the day with net foreign inflow of Rs 80mn. The turnover for the day was around Rs 356mn.

Economic News

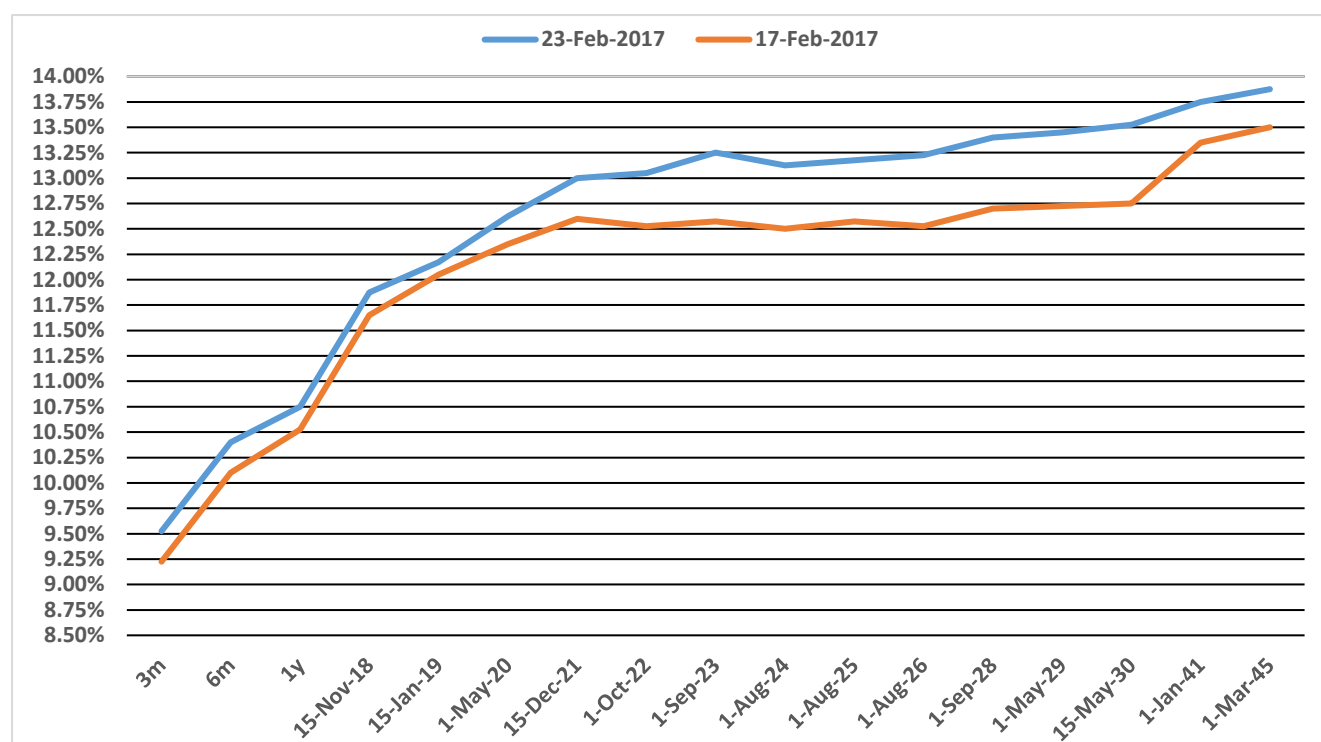
- The Sri Lankan government has approved an agreement with Belgium based Euroclear to process internationally traded rupee bonds, which will improve access for international investors and increase the liquidity of the securities.
- The Sri Lankan rupee traded steady on Thursday as exporter dollar sales offset demand for the greenback from importers, in the absence of central bank intervention. Rupee forwards were active with two week forwards trading at 153.40/50 per dollar, compared with Wednesday's close of 153.40/70. It hit a low of 153.70 in early trade.
- Oil prices rose on Thursday after U.S. data showed a surprise decline in inventories, suggesting that a global glut may be ending after moves by OPEC to cut production. Benchmark Brent crude oil was up 70 cents a barrel at \$56.54, recovering from a drop of 82 cents on Wednesday. U.S. light crude was 70 cents higher at \$54.29 a barrel.
- Germany posted a record budget surplus last year helped by rising tax revenues and employment and low debt costs, creating conditions for solid economic growth in 2017 underpinned by higher state and household spending.

Market Calendar

- Colombo consumer price Index - **28th Feb 2017**
- Treasury bill auction (CBSL) - **01st March 2017** (Total offered Rs 24bn)
(91days: Rs 8bn, 182days: Rs 8bn, 364days: Rs 8bn)

Next Page =>

Sri Lanka Yield Curve

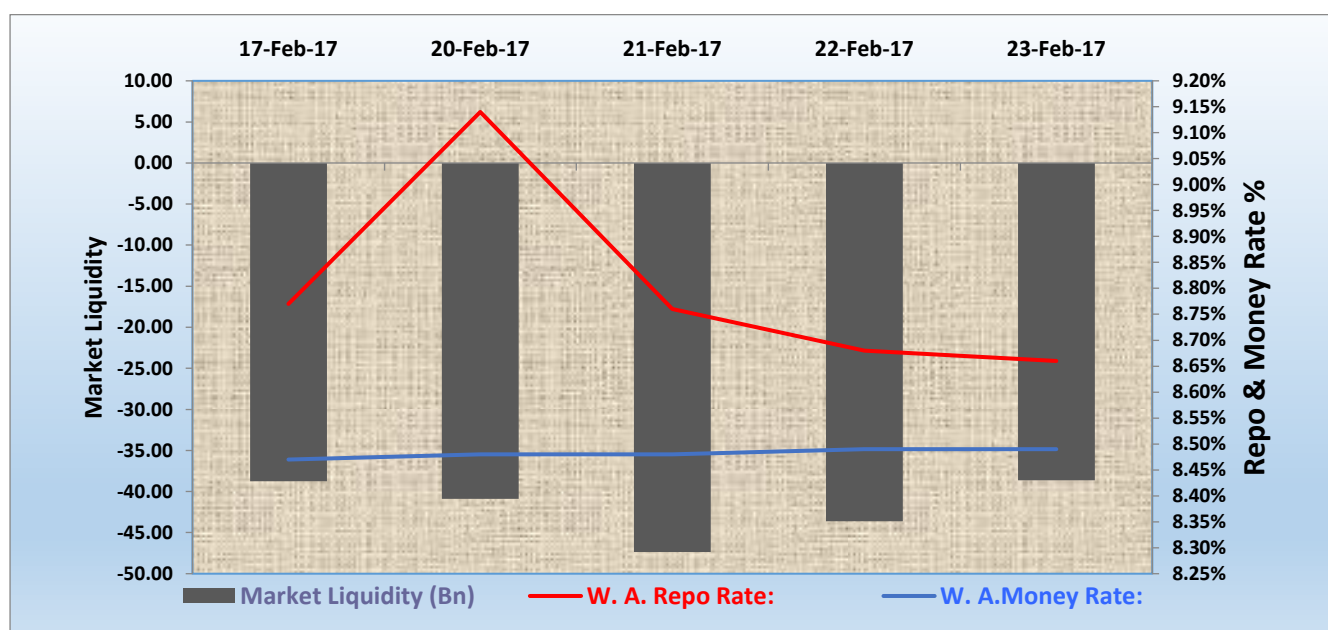


Maturity	Offer %	Bid %	GAP	23-Feb-2017	17-Feb-2017
3m	9.35%	9.70%		9.53%	9.23%
6m	10.20%	10.60%	0.87%	10.40%	10.10%
1y	10.60%	10.90%	0.35%	10.75%	10.53%
15-Nov-18	11.75%	12.00%	1.13%	11.88%	11.65%
15-Jan-19	12.10%	12.25%	0.30%	12.18%	12.05%
1-May-20	12.50%	12.75%	0.45%	12.63%	12.35%
15-Dec-21	12.90%	13.10%	0.38%	13.00%	12.60%
1-Oct-22	13.00%	13.10%	0.05%	13.05%	12.53%
1-Sep-23	13.00%	13.50%	0.20%	13.25%	12.58%
1-Aug-24	13.05%	13.20%	-0.13%	13.13%	12.50%
1-Aug-25	13.10%	13.25%	0.05%	13.18%	12.58%
1-Aug-26	13.15%	13.30%	0.05%	13.23%	12.53%
1-Sep-28	13.30%	13.50%	0.18%	13.40%	12.70%
1-May-29	13.40%	13.50%	0.05%	13.45%	12.73%
15-May-30	13.45%	13.60%	0.08%	13.53%	12.75%
1-Jan-41	13.50%	14.00%	0.23%	13.75%	13.35%
1-Mar-45	13.75%	14.00%	0.13%	13.88%	13.50%

Next Page =>

Market Liquidity	17-Feb-17	20-Feb-17	21-Feb-17	22-Feb-17	23-Feb-17
Standing Deposit Facility(Bn)	6.588	6.989	1.964	1.451	1.834
Standing Lending Facility(Bn)	(3.324)	(9.872)	(8.109)	(19.120)	(12.680)
Repo/Reverse Repo Auction (Bn)	(42.000)	(38.000)	(41.230)	(25.930)	(27.791)
Market Liquidity (Bn)	(38.736)	(40.883)	(47.375)	(43.599)	(38.637)
CBSL Holdings: (Bn)	249.243	251.991	253.482	249.252	244.262

Overnight Money Market	17-Feb-17	20-Feb-17	21-Feb-17	22-Feb-17	23-Feb-17
Repo					
W. A. Repo Rate:	8.77%	9.14%	8.76%	8.68%	8.66%
Gross Amount:(LKR Bn)	12.06	5.92	14.07	19.87	21.87
Call Money					
W. A. Money Rate:	8.47%	8.48%	8.48%	8.49%	8.49%
Gross Amount:(LKR Bn)	11.28	9.27	11.84	12.57	8.51



U.S. \$ Yield	17-Feb-17	20-Feb-17	21-Feb-17	22-Feb-17	23-Feb-17
U.S. 10 Year Yield	2.449%	2.420%	2.452%	2.418%	2.411%
Sri Lanka Int Sovereign Yield 2026	6.613%	6.609%	6.599%	6.552%	6.520%

Spot rate	150.85	150.85	151.25	151.25	151.25
2 Weeks	151.80/152.00	152.45/70	152.70/80	153.25/45	153.40/50

Next Page =>

Forex Volumes (22-Feb-2017)	USD (Mn)	Average	Colombo Stock Exchange (23-Feb-2017)		
Cash	1.50	151.1833		ASPI	S & P SL 20
TOM	10.00	151.1000	Index	6,138.14	3,553.11
Spot	6.00	151.2350	Week Return %	-0.35%	0.27%
Forwards	72.01				
Total	89.51				

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