

**Report Date: 20<sup>th</sup> July 2016 (SL Time 06.00pm)**

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### **Market Report**

The secondary market yields continued with the upward trend as local investors sold out some of their positions ahead of the monetary policy announcement for the month of July 2016. At the close of trading the liquid 10year maturity 01<sup>st</sup> June 2026 was quoted as 12.22/12.30 and the 01<sup>st</sup> Jan 2024 was quoted as 12.12/12.18. Foreign investors remained on the buying side mainly on 2021, 2022, 2023 and 2024 maturities.

At this week's bill auction the yield for 3months declined by 7bps and 6months by 14bps to 8.80% & 9.75% respectively while the benchmark 12months remained stable at 10.49%. The CBSL offered 22.5bn worth of bills and accepted more than 23bn with more being taken from the 6months.

In the overnight money market total Rs 40bn worth of repo and call money were exchanged at an average of 8.09% & 8.23% respectively. The market liquidity recorded a deficit figure of Rs 58bn.

The Colombo All Share Price Index declined marginally by 0.02% to close at 6414.49 points as losses in the Healthcare, Palm Oil and Trading sectors led shares lower. The market turnover was around Rs 576mn with a net foreign inflow of Rs 18.57mn.

### **Economic News**

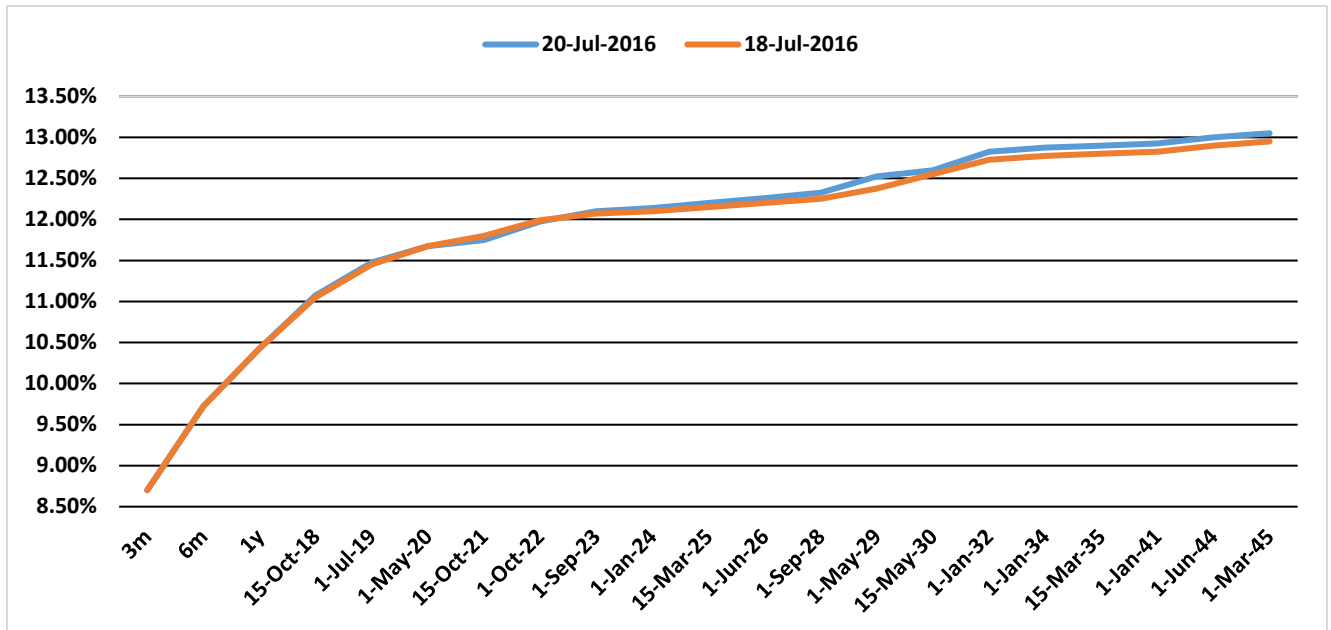
- The European Union Tuesday reiterated his plans to widen its €210 million development program in Sri Lanka beyond rural development to provide grants for reconciliation and good governance. Discussions on the specific needs of the 2014-2020 development program will continue with the Government of Sri Lanka in the coming months, the European Union said in a release following the 20th meeting of the European Union - Sri Lanka Joint Commission meeting
- The government is to obtain US\$1 billion from the China-led Asian Infrastructure Investment Bank (AIIB) for various projects, Finance Minister Ravi Karunayake said yesterday.
- IMF slightly cut its 2016, 2017 global output growth forecasts after Brexit. Growth cut 0.1% this year and next to 3.1% and 3.4% respectively. Britain's 2017 growth cut 0.9% to 1.3%; U.S. unchanged at 2.5%. IMF said this is a "benign assessment" of impact of Brexit. But it warned full impact will play out gradually over time.
- The dollar gave up some of its recent gains against the yen on Wednesday, but it held close to four-month highs against a basket of currencies thanks to strong U.S. data and rising expectations that the Bank of Japan will take additional easing steps.

### **Market Calendar**

- Interest Rate Decision (European Central Bank)- **21<sup>st</sup> July 2016**

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## Sri Lanka Yield Curve

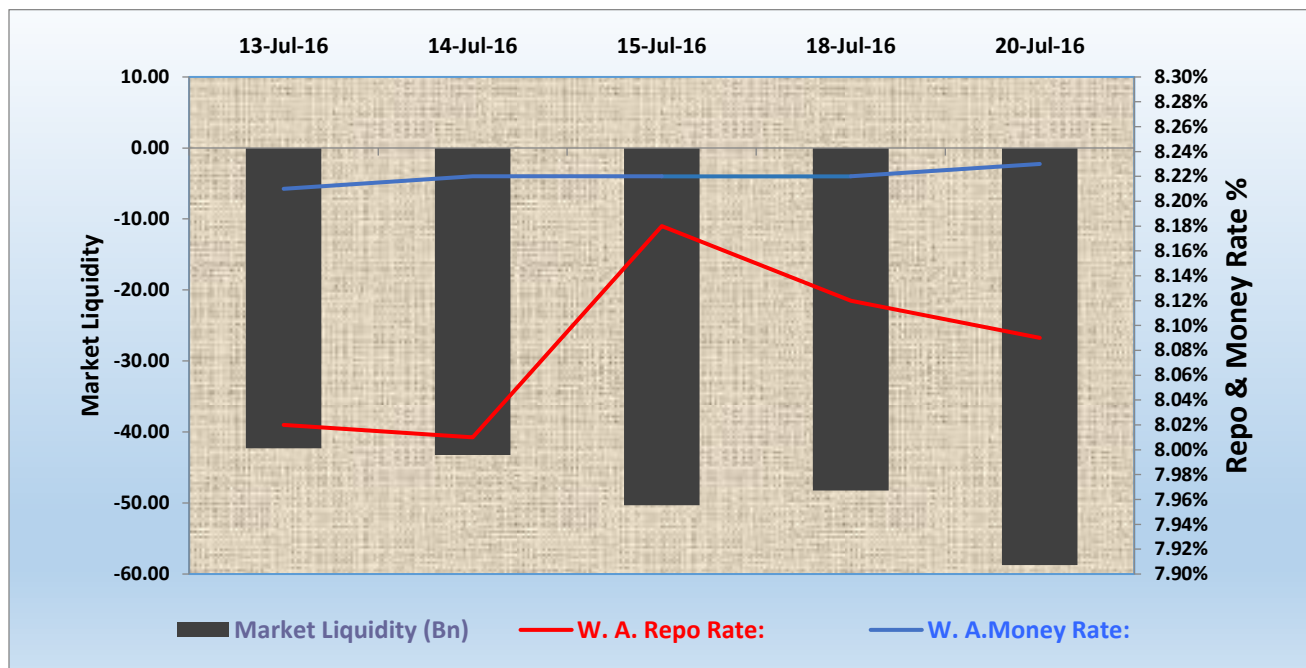


<u>Maturity</u>	<u>Offer %</u>	<u>Bid %</u>	<u>GAP</u>	<u>20-Jul-2016</u>	<u>18-Jul-2016</u>
3m	8.60%	8.80%		8.70%	8.70%
6m	9.65%	9.80%	1.03%	9.73%	9.73%
1y	10.35%	10.50%	0.70%	10.43%	10.43%
15-Oct-18	11.00%	11.15%	0.65%	11.08%	11.05%
1-Jul-19	11.45%	11.50%	0.40%	11.48%	11.45%
1-May-20	11.60%	11.75%	0.20%	11.68%	11.68%
15-Oct-21	11.70%	11.80%	0.08%	11.75%	11.80%
1-Oct-22	11.95%	12.00%	0.23%	11.98%	11.99%
1-Sep-23	12.05%	12.15%	0.13%	12.10%	12.07%
1-Jan-24	12.10%	12.18%	0.04%	12.14%	12.10%
15-Mar-25	12.15%	12.25%	0.06%	12.20%	12.15%
1-Jun-26	12.22%	12.30%	0.06%	12.26%	12.20%
1-Sep-28	12.25%	12.40%	0.06%	12.33%	12.25%
1-May-29	12.45%	12.60%	0.20%	12.53%	12.38%
15-May-30	12.50%	12.70%	0.08%	12.60%	12.55%
1-Jan-32	12.75%	12.90%	0.23%	12.83%	12.73%
1-Jan-34	12.80%	12.95%	0.05%	12.88%	12.78%
15-Mar-35	12.85%	12.95%	0.03%	12.90%	12.80%
1-Jan-41	12.85%	13.00%	0.03%	12.93%	12.83%
1-Jun-44	12.95%	13.05%	0.08%	13.00%	12.90%
1-Mar-45	13.00%	13.10%	0.05%	13.05%	12.95%

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<b>Market Liquidity</b>	<b>13-Jul-16</b>	<b>14-Jul-16</b>	<b>15-Jul-16</b>	<b>18-Jul-16</b>	<b>20-Jul-16</b>
Standing Deposit Facility(Bn)	10.409	10.261	10.925	5.102	4.494
Standing Lending Facility(Bn)	(6.186)	(9.150)	(16.246)	(16.450)	(18.210)
Repo/Reverse Repo Auction (Bn)	(46.497)	(44.365)	(45.000)	(36.883)	(45.000)
Market Liquidity (Bn)	(42.274)	(43.254)	(50.321)	(48.231)	(58.716)
<b>CBSL Holdings: (Bn)</b>	<b>279.644</b>	<b>280.535</b>	<b>288.109</b>	<b>280.397</b>	<b>290.405</b>

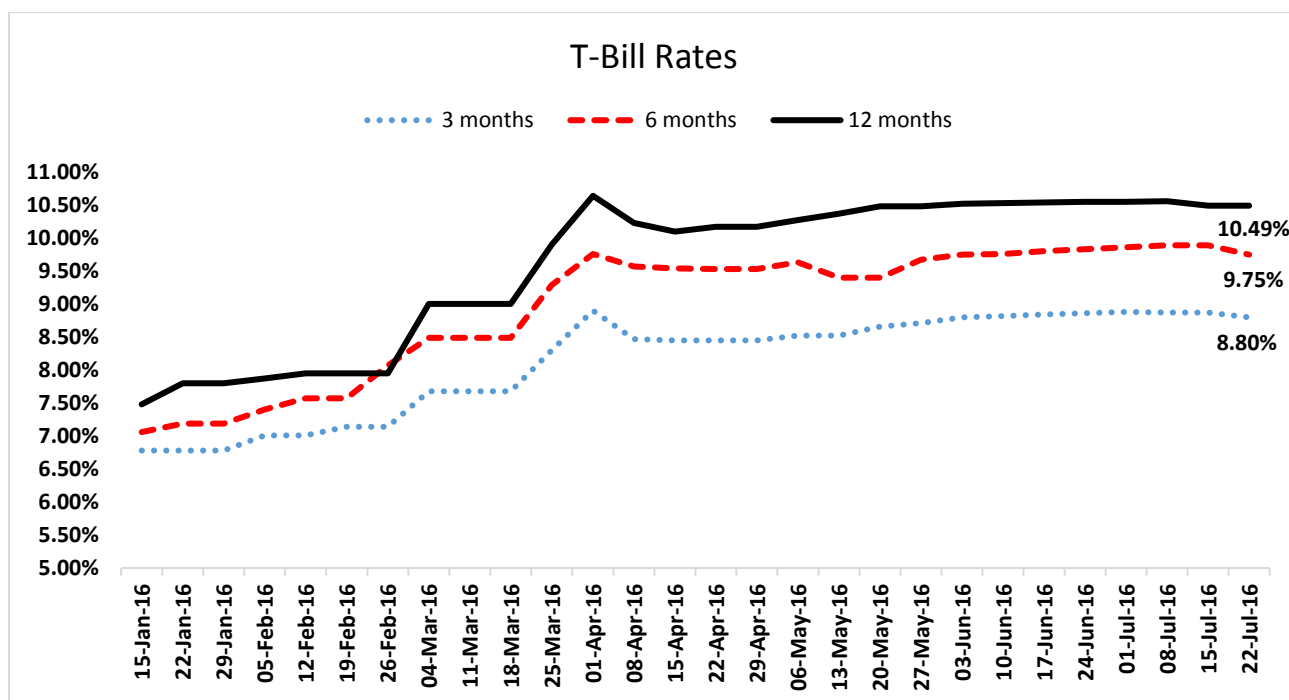
<b>Overnight Money Market</b>	<b>13-Jul-16</b>	<b>14-Jul-16</b>	<b>15-Jul-16</b>	<b>18-Jul-16</b>	<b>20-Jul-16</b>
<b>Repo</b>					
W. A. Repo Rate:	8.02%	8.01%	8.18%	8.12%	8.09%
Gross Amount:( LKR Bn)	28.87	28.09	17.46	26.19	31.34
<b>Call Money</b>					
W. A. Money Rate:	8.21%	8.22%	8.22%	8.22%	8.23%
Gross Amount:( LKR Bn)	13.75	13.09	8.79	10.48	9.16



<b>U.S. \$ Yield</b>	<b>13-Jul-16</b>	<b>14-Jul-16</b>	<b>15-Jul-16</b>	<b>18-Jul-16</b>	<b>20-Jul-16</b>
U.S. 10 Year Yield	1.486%	1.503%	1.542%	1.582%	1.570%
Sri Lanka Int Sovereign Yield 2026	6.647%	6.645%	6.652%	6.597%	6.532%

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Spot Opening :	144.50/00	144.50/00	144.50/00	144.50/00	144.50/00
Spot Closing :	144.50/00	144.50/00	144.50/00	144.50/00	144.50/00
<b>Spot Next</b>	<b>146.80/00</b>				
<b>Forex Volumes (18-Jul-2016)</b>	<b>USD (Mn)</b>	<b>Average</b>	<b>Colombo Stock Exchange</b>		
Cash	5.50	145.1891		ASPI	S & P SL 20
TOM	3.00	145.2100	Index	6,414.49	3,422.19
Spot	12.00	145.2500	Day Return %	-0.02%	0.31%
Forwards	51.50				
<b>Total</b>	<b>72.00</b>				



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