

Report Date: 22nd July 2016 (SL Time 06.00pm)

Market Report

The bond market activities remained at a subdued level as local investors remained on the sideline while foreign investors continued to accumulate more on the short to mid-term maturities. At the close of trading the liquid 10year maturity 01st June 2026 was quoted as 12.26/12.30 while the 01st Jan 2024 was quoted as 12.13/12.17. On the short end of the yield curve the 3year maturity 15th Sep 2019 was exchanged between 11.40 to 11.45 levels.

Foreign investors were net buyers in the government securities market with a net foreign inflow of Rs 19bn, taking the overall foreign holding to Rs 279bn for the week ended 20th July 2016.

In the overnight money market repo and call money were exchanged at an average of 8.07% & 8.24% respectively. The overall market liquidity recorded a deficit figure of Rs 41.8bn. CBSL infused Rs 29bn worth of overnight money to the system through a Reverse Repo auction at an average rate of 7.98%.

The Colombo All Share Price Index gained marginally by 0.09% for the week to close at 6428.77 points as gains in the Information, Footwear & Textile and Healthcare sectors led shares higher. Foreign investors remained net buyers for the week with a net foreign inflow of Rs 193mn.

Economic News

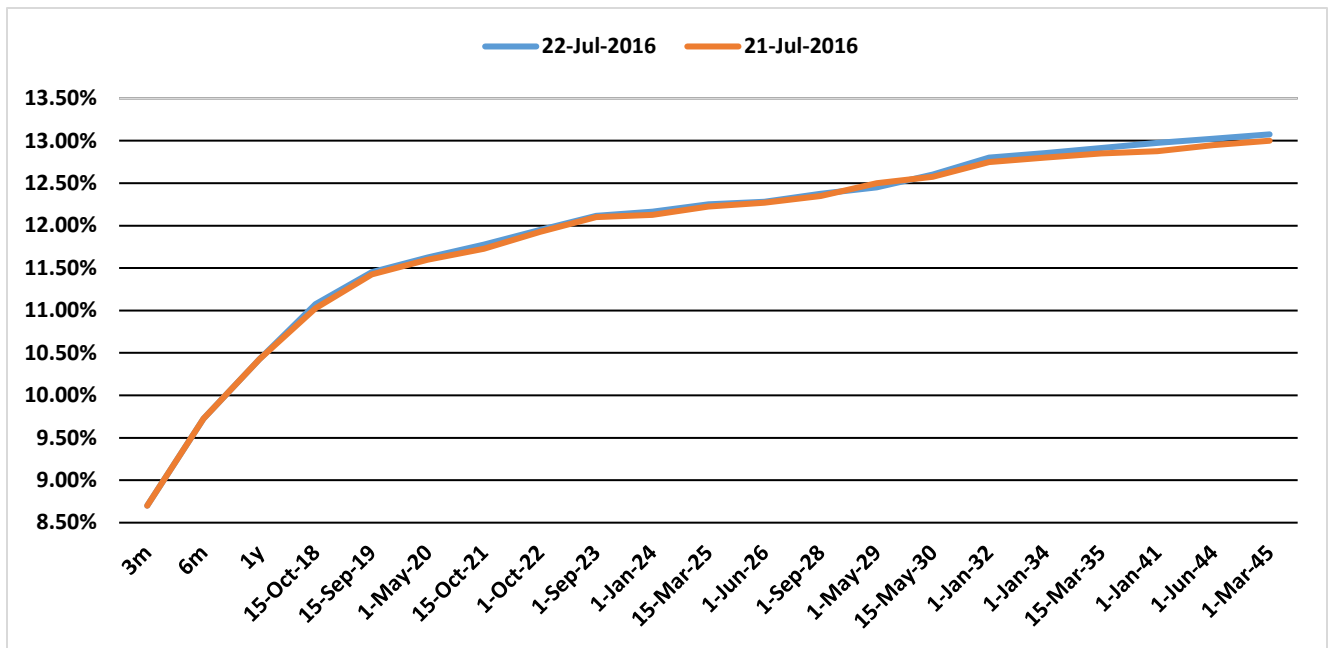
- The Asian Development Bank (ADB) has agreed to provide an additional loan amount of US\$ 60 million for the success of the Local Government Enhancement Sector Project (LGESP) (Pura Neguma Project) executed by the Ministry of Provincial Councils and Local Government.
- The Sri Lankan rupee rose on Friday as dollar selling by a state-run bank surpassed mild importer demand for the greenback. One-week rupee forwards, which have been acting as a proxy for the spot rupee, were at 146.10/146.30 per dollar, compared with Thursday's close of 146.30/40.
- The yen hovered above six-week lows on Friday after comments from Bank of Japan Governor Haruhiko Kuroda dented speculation Japan may be preparing a radical "helicopter money" economic stimulus.
- Investors bought up longer-dated euro zone debt on Friday, expecting the European Central Bank to focus its bond purchases on higher-yielding paper as it faces a shortage of eligible assets for its stimulus scheme.

Market Calendar

- Treasury bill auction (CBSL)- **27th July 2016** (Total offered- 19bn)
(91days-4bn, 182days- 7.5bn, 364days- 7.5bn)
- U.K. GDP data for the 2nd QTR 2016- **27th July 2016**

Next Page =>

Sri Lanka Yield Curve

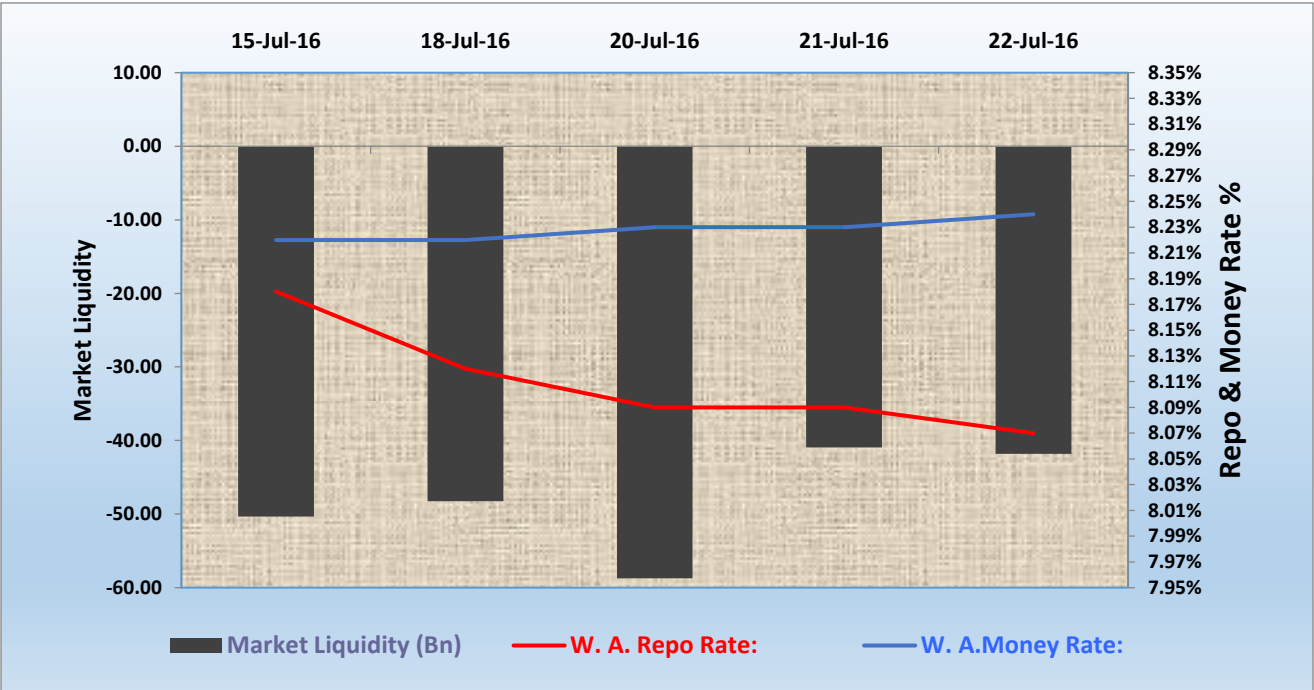


| Maturity | Offer % | Bid % | GAP | 22-Jul-2016 | 21-Jul-2016 |
|-----------|---------|--------|-------|-------------|-------------|
| 3m | 8.60% | 8.80% | | 8.70% | 8.70% |
| 6m | 9.65% | 9.80% | 1.03% | 9.73% | 9.73% |
| 1y | 10.35% | 10.50% | 0.70% | 10.43% | 10.43% |
| 15-Oct-18 | 11.00% | 11.15% | 0.65% | 11.08% | 11.03% |
| 15-Sep-19 | 11.40% | 11.50% | 0.38% | 11.45% | 11.43% |
| 1-May-20 | 11.55% | 11.70% | 0.18% | 11.63% | 11.60% |
| 15-Oct-21 | 11.70% | 11.85% | 0.15% | 11.78% | 11.73% |
| 1-Oct-22 | 11.90% | 12.00% | 0.18% | 11.95% | 11.93% |
| 1-Sep-23 | 12.08% | 12.15% | 0.17% | 12.12% | 12.10% |
| 1-Jan-24 | 12.13% | 12.20% | 0.05% | 12.17% | 12.13% |
| 15-Mar-25 | 12.20% | 12.30% | 0.08% | 12.25% | 12.23% |
| 1-Jun-26 | 12.26% | 12.30% | 0.03% | 12.28% | 12.27% |
| 1-Sep-28 | 12.30% | 12.45% | 0.10% | 12.38% | 12.35% |
| 1-May-29 | 12.40% | 12.50% | 0.13% | 12.50% | 12.50% |
| 15-May-30 | 12.50% | 12.70% | 0.10% | 12.60% | 12.58% |
| 1-Jan-32 | 12.75% | 12.85% | 0.20% | 12.80% | 12.75% |
| 1-Jan-34 | 12.78% | 12.93% | 0.05% | 12.86% | 12.80% |
| 15-Mar-35 | 12.85% | 12.98% | 0.06% | 12.92% | 12.85% |
| 1-Jan-41 | 12.90% | 13.05% | 0.06% | 12.98% | 12.88% |
| 1-Jun-44 | 12.95% | 13.10% | 0.05% | 13.03% | 12.95% |
| 1-Mar-45 | 13.00% | 13.15% | 0.05% | 13.08% | 13.00% |

Next Page =>

| Market Liquidity | 15-Jul-16 | 18-Jul-16 | 20-Jul-16 | 21-Jul-16 | 22-Jul-16 |
|--------------------------------|------------------|------------------|------------------|------------------|------------------|
| Standing Deposit Facility(Bn) | 10.925 | 5.102 | 4.494 | 21.218 | 5.980 |
| Standing Lending Facility(Bn) | (16.246) | (16.450) | (18.210) | (22.136) | (18.753) |
| Repo/Reverse Repo Auction (Bn) | (45.000) | (36.883) | (45.000) | (40.000) | (29.050) |
| Market Liquidity (Bn) | (50.321) | (48.231) | (58.716) | (40.918) | (41.823) |
| CBSL Holdings: (Bn) | 288.109 | 280.397 | 290.405 | 289.403 | 271.782 |

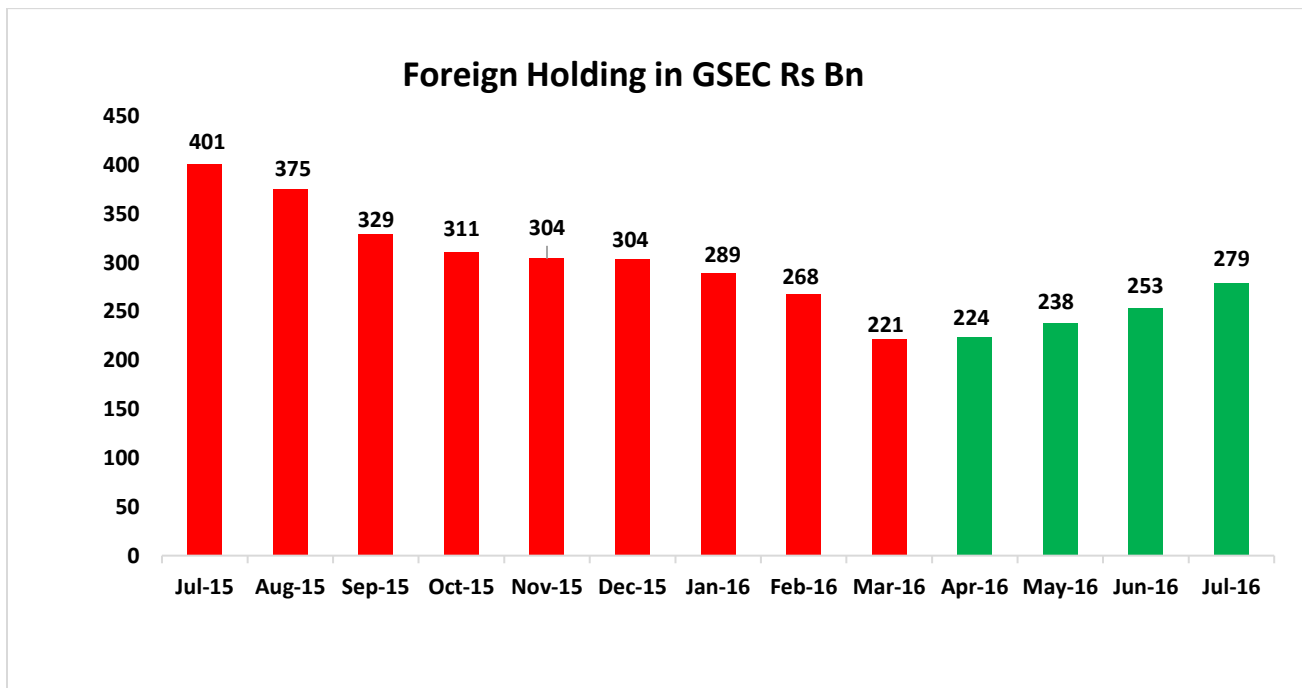
| Overnight Money Market | 15-Jul-16 | 18-Jul-16 | 20-Jul-16 | 21-Jul-16 | 22-Jul-16 |
|-------------------------------|------------------|------------------|------------------|------------------|------------------|
| Repo | | | | | |
| W. A. Repo Rate: | 8.18% | 8.12% | 8.09% | 8.09% | 8.07% |
| Gross Amount:(LKR Bn) | 17.46 | 26.19 | 31.34 | 31.85 | 38.91 |
| Call Money | | | | | |
| W. A. Money Rate: | 8.22% | 8.22% | 8.23% | 8.23% | 8.24% |
| Gross Amount:(LKR Bn) | 8.79 | 10.48 | 9.16 | 9.24 | 9.25 |



| U.S. \$ Yield | 15-Jul-16 | 18-Jul-16 | 20-Jul-16 | 21-Jul-16 | 22-Jul-16 |
|------------------------------------|------------------|------------------|------------------|------------------|------------------|
| U.S. 10 Year Yield | 1.542% | 1.582% | 1.570% | 1.590% | 1.578% |
| Sri Lanka Int Sovereign Yield 2026 | 6.652% | 6.597% | 6.532% | 6.520% | 6.486% |

Next Page =>

| | | | | | |
|-----------------------------|-----------|-----------|------------------------|-----------|-------------|
| 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 |
| Spot Next | 146.00/25 | | | | |
| Forex Volumes (21-Jul-2016) | USD (Mn) | Average | Colombo Stock Exchange | | |
| Cash | 6.00 | 145.1633 | | ASPI | S & P SL 20 |
| TOM | 7.00 | 145.6900 | Index | 6,428.77 | 3,428.58 |
| Spot | 6.00 | 145.7500 | Weekly Return % | 0.09% | 0.36% |
| Forwards | 54.47 | | | | |
| Total | 73.47 | | | | |



This document has been prepared and issued by Perpetual Treasuries Ltd, on the basis of publicly available information, internally developed data and other sources, believed to be reliable. Whilst all responsible care has been taken to ensure that the facts stated are accurate and the opinion given are fair and reasonable neither Perpetual Treasuries Ltd, nor any Director Officer or employee, shall in any way be responsible for any decisions made on its contents. (Sources : Reuters, Bloomberg, cse.lk, cbsl.gov.lk, cnbc.com, lbo.lk)