

Report Date: 13th September 2016 (SL Time 06.00pm)

Market Report

The new trading week started with yields on most of the maturities continuing with the upward momentum mainly driven by local selling. At the close of trading the liquid 10year maturity 01st Aug 2026 was quoted as 11.65/11.70 while the benchmark 5year maturity 01st March 2021 was exchanged between 11.04 and 11.09.

At this week's bill auction the yield for 6 & 12months remained stable at 9.71% & 10.39% respectively while the bids on 3months were rejected. The CBSL offered 26bn worth of bills and accepted only Rs 13bn with 12bn being taken from the 12months.

The Sri Lankan rupee edged down on Tuesday as importer dollar demand surpassed mild selling of the U.S. currency by exporters. The spot rupee was trading at 145.40/50 per dollar, down from Friday's close of 145.25/35. One-week forwards were at 145.56/60, compared with the previous day's close of 145.50/60.

The Colombo All Share Price Index gained marginally by 0.20% to close at 6508.09 points as gains in the Trading, Motors and Stores & Supplies sectors led shares higher. Rising stocks outnumbered declining ones on the Colombo Stock Exchange by 87 to 79 and 53 ended unchanged. Foreign investors remained net buyers with a net inflow of Rs 96.81mn.

Economic News

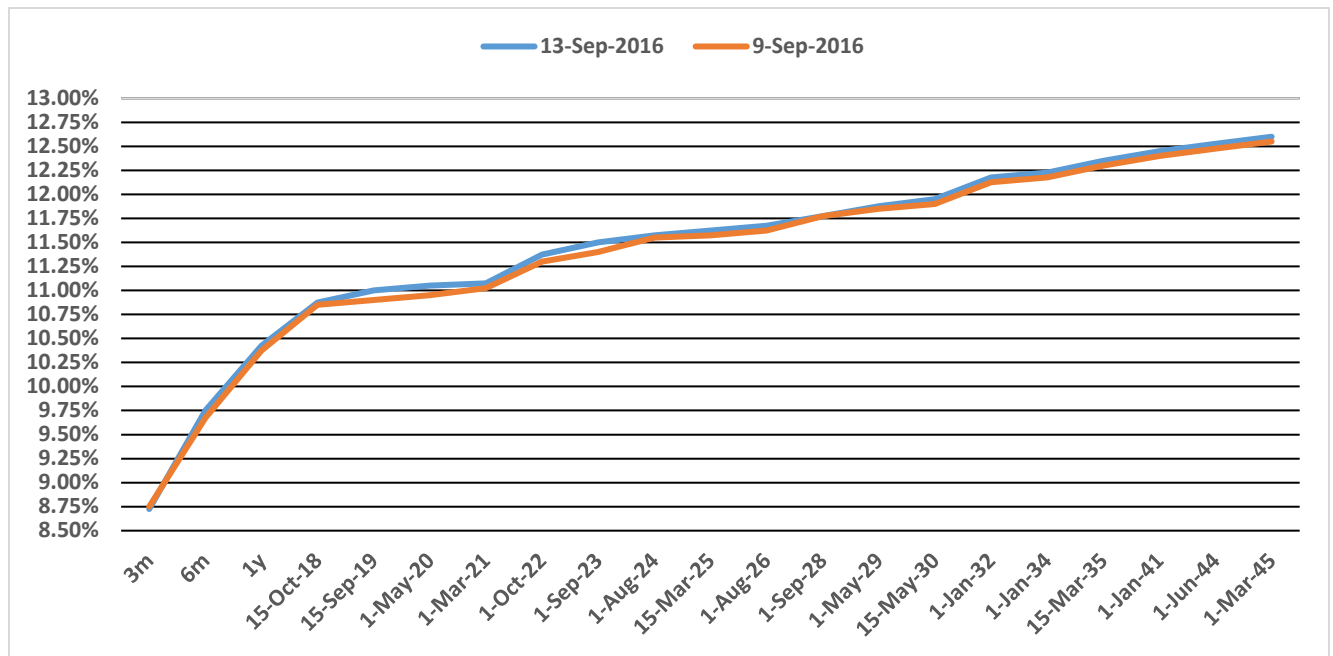
- Sri Lanka's official reserves rose \$124.7mn to 6.6bn dollars in August, up from 6.5 billion dollars end of July, official Central Bank data showed. Central Bank has purchased \$190.8mn of foreign exchange from commercial banks at market rates in August while selling \$57.6mn in the month.
- Sri Lanka's estimated unemployment rate for the first quarter 2016 has dropped marginally to 4.2% from 4.3% in the fourth quarter of 2015, the Census and Statistics Department releasing its Labor Force Survey - 1Q 2016 said.
- The Federal Reserve should avoid removing support for the U.S. economy too quickly, Fed Governor Lael Brainard said on Monday in comments that solidified the view the central bank would leave interest rates unchanged next week.
- Global oil demand growth is slowing at a faster pace than first thought, the International Energy Agency (IEA) said in its latest market update, warning that markets would have to wait "a while longer" for markets to rebalance.
- China's factory output and retail sales grew faster than expected in August as a strong housing market and a government infrastructure spending spree underpinned growth in the world's second-largest economy.

Market Calendar

- Bank of England interest rate decision for September- **15th Sep 2016**

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Sri Lanka Yield Curve

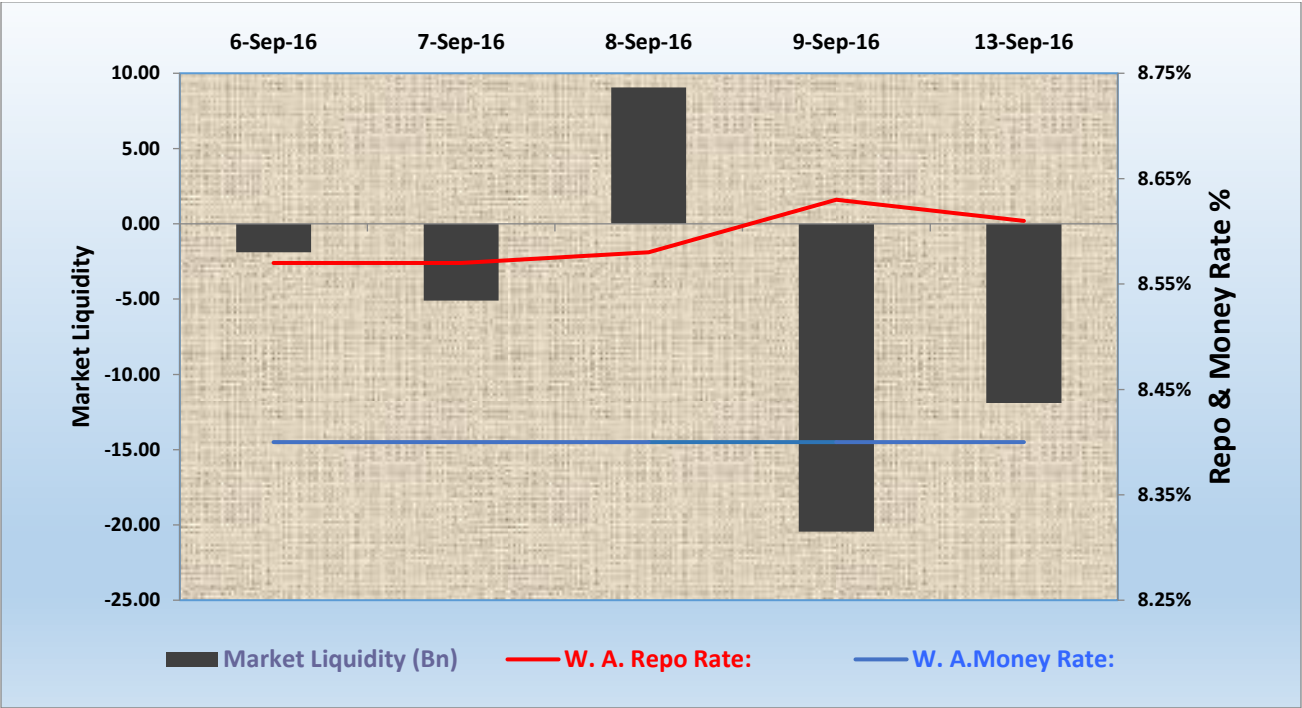


Maturity	Offer %	Bid %	GAP	13-Sep-2016	9-Sep-2016
3m	8.65%	8.80%		8.73%	8.75%
6m	9.70%	9.80%	1.03%	9.75%	9.68%
1y	10.35%	10.50%	0.67%	10.43%	10.38%
15-Oct-18	10.80%	10.95%	0.45%	10.88%	10.85%
15-Sep-19	10.95%	11.05%	0.13%	11.00%	10.90%
1-May-20	11.00%	11.10%	0.05%	11.05%	10.95%
1-Mar-21	11.05%	11.10%	0.03%	11.08%	11.03%
1-Oct-22	11.30%	11.45%	0.30%	11.38%	11.30%
1-Sep-23	11.45%	11.55%	0.13%	11.50%	11.40%
1-Aug-24	11.55%	11.60%	0.08%	11.58%	11.55%
15-Mar-25	11.60%	11.65%	0.05%	11.63%	11.58%
1-Aug-26	11.65%	11.70%	0.05%	11.68%	11.63%
1-Sep-28	11.70%	11.85%	0.10%	11.78%	11.78%
1-May-29	11.80%	11.95%	0.10%	11.88%	11.85%
15-May-30	11.90%	12.00%	0.08%	11.95%	11.90%
1-Jan-32	12.15%	12.20%	0.23%	12.18%	12.13%
1-Jan-34	12.20%	12.25%	0.05%	12.23%	12.18%
15-Mar-35	12.30%	12.40%	0.13%	12.35%	12.30%
1-Jan-41	12.40%	12.50%	0.10%	12.45%	12.40%
1-Jun-44	12.45%	12.60%	0.08%	12.53%	12.48%
1-Mar-45	12.50%	12.70%	0.08%	12.60%	12.55%

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Market Liquidity	6-Sep-16	7-Sep-16	8-Sep-16	9-Sep-16	13-Sep-16
Standing Deposit Facility(Bn)	15.930	14.035	23.005	12.544	13.755
Standing Lending Facility(Bn)	(17.813)	(19.138)	(13.940)	(16.980)	(5.922)
Repo/Reverse Repo Auction (Bn)	-	-	-	(16.000)	(19.727)
Market Liquidity (Bn)	(1.883)	(5.103)	9.065	(20.436)	(11.894)
CBSL Holdings: (Bn)	213.569	214.948	209.808	207.933	200.794

Overnight Money Market	6-Sep-16	7-Sep-16	8-Sep-16	9-Sep-16	13-Sep-16
Repo					
W. A. Repo Rate:	8.57%	8.57%	8.58%	8.63%	8.61%
Gross Amount:(LKR Bn)	35.71	36.48	42.08	28.50	32.83
Call Money					
W. A. Money Rate:	8.40%	8.40%	8.40%	8.40%	8.40%
Gross Amount:(LKR Bn)	15.02	16.23	15.23	11.91	10.25

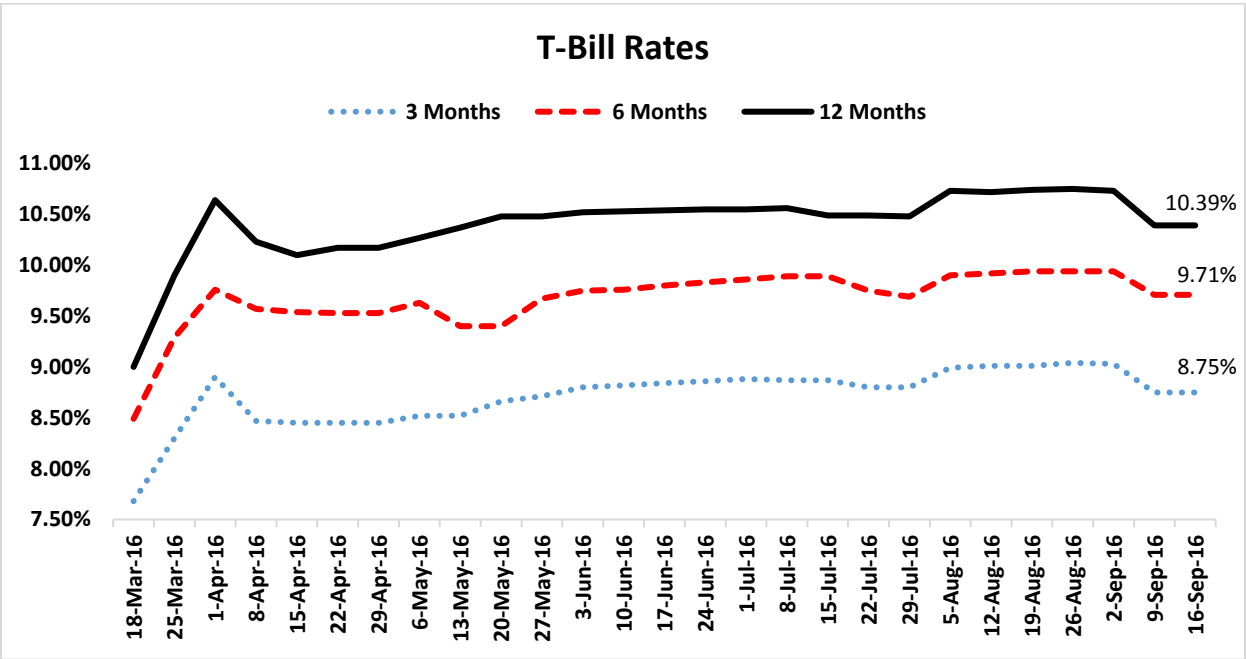


U.S. \$ Yield	6-Sep-16	7-Sep-16	8-Sep-16	9-Sep-16	13-Sep-16
U.S. 10 Year Yield	1.599%	1.537%	1.541%	1.632%	1.661%
Sri Lanka Int Sovereign Yield 2026	5.821%	5.804%	5.789%	5.789%	5.966%

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Forex Volumes (09-Sep-2016) USD (Mn) Average Colombo Stock Exchange (09-Sep-2016)

Cash	21.50	145.0342		ASPI	S & P SL 20
TOM	2.75	145.1973	Index	6,508.09	3,590.24
Spot	19.00	145.1558	Day Return %	0.20%	0.25%
Forwards	25.00				
Total	68.25				



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