

Report Date: 27th September 2016 (SL Time 06.00pm)

Market Report

The bullish trend in the secondary bond market continued with yields declining across the board mainly driven by the local investors. At the close of trading on Tuesday the liquid 10year maturity 01st Aug 2026 was quoted as 11.32/11.37 while the benchmark 5year maturity 01st March 2021 was exchanged between 10.90% and 11.00%. On the short end of the yield curve the 2018s were traded between 10.50 to 10.60%.

The Sri Lankan rupee traded weaker on Tuesday as seasonal demand for dollar from importers exceeded sales by exporters and banks. The spot rupee traded at 146.40/50 per dollar, compared with Monday's close of 146.35/45. The spot-next forwards were at 146.56/60 per dollar, edging down from Monday's close of 146.38/48. One-week forwards were at 146.65/80, weaker from last close of 146.50/68.

The Colombo All Share Price Index gained 0.07% for the day to close at 6483.29 points as gains in the Construction, Stores & Supplies and Trading sectors led shares higher. The foreign investors remained net sellers with a net outflow of Rs 22.25mn.

Economic News

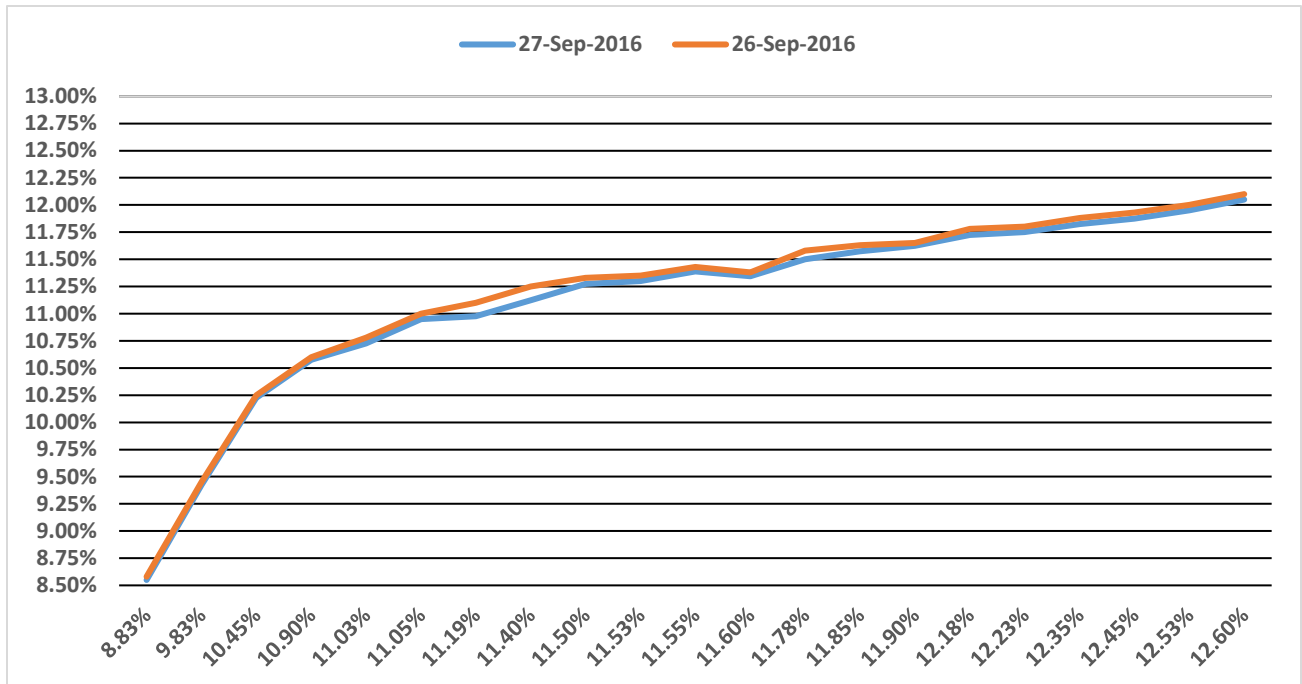
- Asian Development Bank (ADB) lowered the economic growth forecast for Sri Lanka Tuesday saying growth prospects for Sri Lanka edge lower on weak industrial performance and fiscal consolidation. ADB lowered the GDP growth rate to 5.0% for Sri Lanka in 2016 from the 5.3% it projected in March this year. The growth in 2017 was lowered to 5.5% from the 5.8% projected six months ago while the inflation will remain 4.5% this year and 5.0% in 2017.
- Global trade volumes are set to grow by just 1.7% this year, the first time in 15 years that international commerce has grown more slowly than the world economy, the World Trade Organization said on Tuesday. The forecast, much lower than the WTO's previous estimate of 2.8% in April, reflects a slowdown in China and Brazil and also decelerating imports in the United States.
- Crude oil fell further on Tuesday as optimism faded for an output-limiting deal during an oil producer meeting in Algeria that so far has failed to yield any agreement to curb one of the worst supply gluts in history.

Market Calendar

- CBSL Monetary Policy Review for September- 28th Sep 2016 (07.30 A.M)
- Treasury Bill auction (CBSL) – **28th September 2016** (Total offered – Rs 21bn)
(3months-6bn, 6months- 7bn, 12months- 8bn)
- Treasury Bond auction (CBSL)- **29th September 2016** (Total offered- Rs 22bn)
(01st March 2021- 8bn, 01st August 2024- 7bn, 01st August 2026- 7bn)

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Sri Lanka Yield Curve

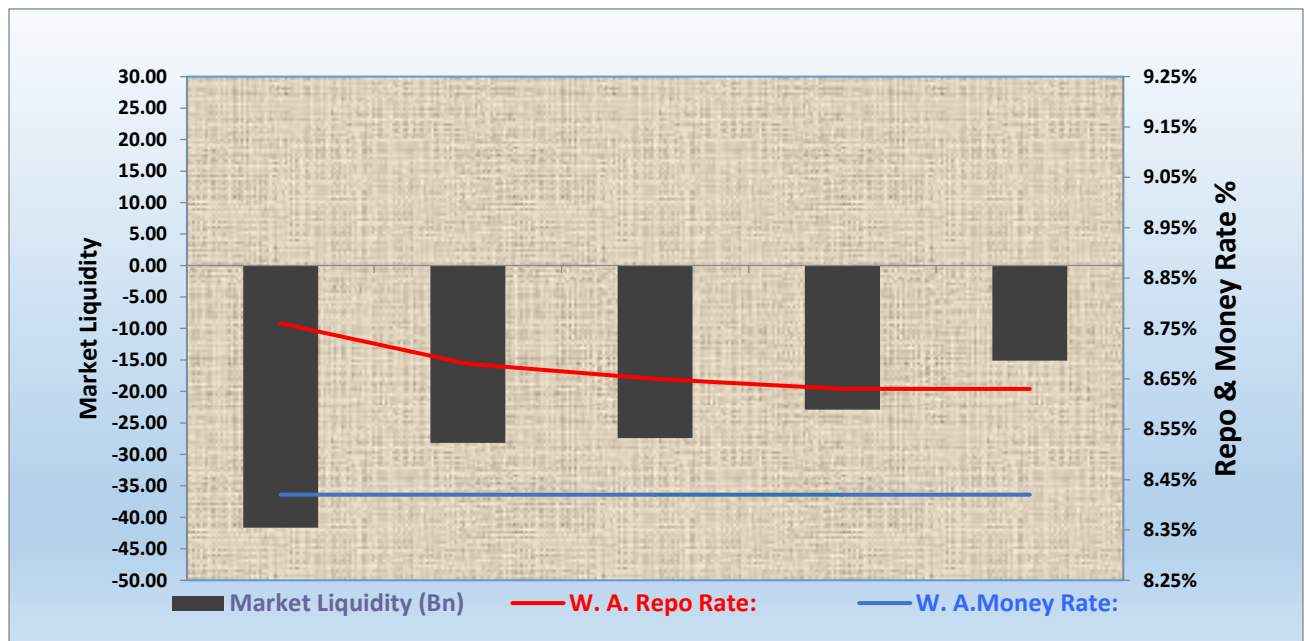


<u>Maturity</u>	<u>Offer %</u>	<u>Bid %</u>	<u>GAP</u>	<u>27-Sep-2016</u>	<u>26-Sep-2016</u>
3m	8.50%	8.60%		8.55%	8.58%
6m	9.35%	9.50%	0.88%	9.43%	9.45%
1y	10.15%	10.30%	0.80%	10.23%	10.25%
15-Oct-18	10.50%	10.65%	0.35%	10.58%	10.60%
15-Sep-19	10.65%	10.80%	0.15%	10.73%	10.78%
1-May-20	10.90%	11.00%	0.23%	10.95%	11.00%
1-Mar-21	10.95%	11.00%	0.03%	10.98%	11.10%
1-Oct-22	11.10%	11.15%	0.15%	11.13%	11.25%
1-Sep-23	11.25%	11.30%	0.15%	11.28%	11.33%
1-Aug-24	11.27%	11.33%	0.02%	11.30%	11.35%
15-Mar-25	11.38%	11.40%	0.09%	11.39%	11.43%
1-Aug-26	11.32%	11.37%	-0.05%	11.35%	11.38%
1-Sep-28	11.45%	11.55%	0.16%	11.50%	11.58%
1-May-29	11.50%	11.65%	0.08%	11.58%	11.63%
15-May-30	11.55%	11.70%	0.05%	11.63%	11.65%
1-Jan-32	11.60%	11.85%	0.10%	11.73%	11.78%
1-Jan-34	11.65%	11.85%	0.03%	11.75%	11.80%
15-Mar-35	11.70%	11.95%	0.08%	11.83%	11.88%
1-Jan-41	11.75%	12.00%	0.05%	11.88%	11.93%
1-Jun-44	11.85%	12.05%	0.08%	11.95%	12.00%
1-Mar-45	11.90%	12.20%	0.10%	12.05%	12.10%

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Market Liquidity	21-Sep-16	22-Sep-16	23-Sep-16	26-Sep-16	27-Sep-16
Standing Deposit Facility(Bn)	9.620	14.460	20.536	20.235	28.098
Standing Lending Facility(Bn)	(18.479)	(13.717)	(22.951)	(21.109)	(23.213)
Repo/Reverse Repo Auction (Bn)	(32.776)	(28.924)	(25.000)	(22.000)	(20.000)
Market Liquidity (Bn)	(41.635)	(28.181)	(27.415)	(22.874)	(15.115)
CBSL Holdings: (Bn)	216.187	207.618	208.385	203.679	203.831

Overnight Money Market	21-Sep-16	22-Sep-16	23-Sep-16	26-Sep-16	27-Sep-16
Repo					
W. A. Repo Rate:	8.76%	8.68%	8.65%	8.63%	8.63%
Gross Amount:(LKR Bn)	15.81	24.14	27.65	30.28	31.17
Call Money					
W. A. Money Rate:	8.42%	8.42%	8.42%	8.42%	8.42%
Gross Amount:(LKR Bn)	15.90	17.01	14.38	9.66	12.50



U.S. \$ Yield	21-Sep-16	22-Sep-16	23-Sep-16	26-Sep-16	27-Sep-16
U.S. 10 Year Yield	1.691%	1.648%	1.613%	1.599%	1.570%
Sri Lanka Int Sovereign Yield 2026	5.968%	5.691%	5.696%	5.781%	5.815%

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Spot Opening :	145.80/146.00	145.80/146.00	145.80/146.00	146.35/45	146.20/40
Spot Closing :	145.95/146.10	145.95/146.10	145.95/146.10	146.40/50	146.40/50

Forex Volumes (26-Sep-2016)	USD (Mn)	Average	Colombo Stock Exchange (27-Sep-2016)		
Cash	14.00	146.1250		ASPI	S & P SL 20
TOM	3.50	146.2529	Index	6,483.29	3,588.70
Spot	24.75	146.3273	Day Return %	0.07%	-0.01%
Forwards	98.25				
Total	140.50				

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