

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

Market Report

The secondary bond market yields on short tenors continued with the upward momentum mainly driven by foreign selling on the 2018s & 2019s maturities. At the close of trading the 15th Sep 2019 bond was quoted as 11.55/11.60 while the benchmark 10year maturity 01st Aug 2026 was quoted as 11.85/12.00.

In the overnight money market repo & call money were exchanged at an average of 8.67% & 8.42% respectively. The CBSL continued with the OMO operation by infusing 27bn worth of overnight money to the system at an average rate of 8.50%. The overall market liquidity recorded a deficit figure of Rs 23.48bn.

The Colombo All Share Price Index gained 3.61 points for the day to close at 6438.50 as gains in the Information Technology, Investment Trust and Services sectors led shares higher. Foreign investors remained net sellers with a net outflow of Rs 18.44mn.

Economic News

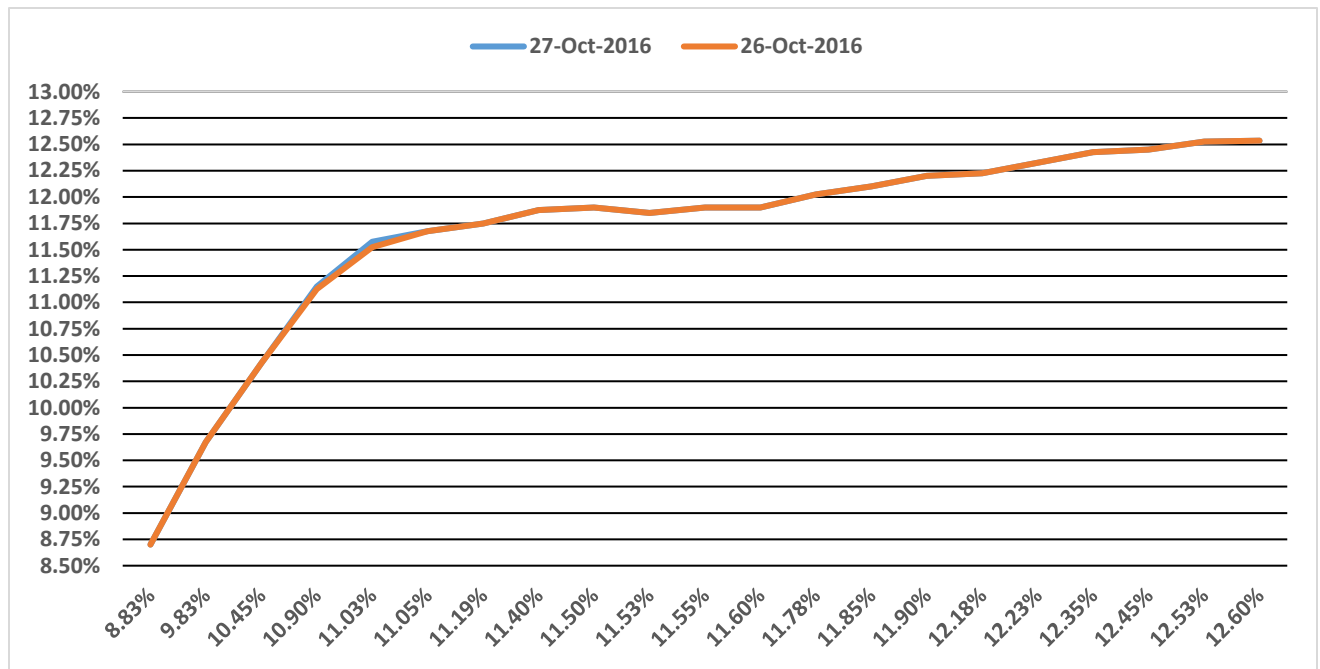
- Sri Lanka's cabinet has given the nod for the government to follow a five-year capital market strategy in order to attract investors, issuers, institutions and mediators, a statement said. The proposal was put forward by the Prime Minister Ranil Wickremesinghe to follow the Capital Market Strategy 2016-2020 that proposes regulatory and development actions to be followed in future. A 250 million dollar loan from the Asian Development Bank in two tranches would be utilized for this purpose.
- Sri Lanka's 2017 budget proposals will include proposals to introduce a low tax regime in the island coupled with a program of capital allowances, the premier said. Prime Minister Ranil Wickremesinghe making a special statement in Parliament today said these new proposals aimed at increasing investment and job creation.
- Oil prices rose on Thursday, lifted by concerns over Venezuela's stability as well as by firm demand in Asia, although doubts over OPEC's ability to organize a coordinated production cut still weighed on markets.
- The dollar traded close to a three-month high against the yen on Thursday, underpinned by higher U.S. bond yields and growing expectations that the U.S. Federal Reserve will raise interest rates by the end of the year.
- Profit growth in China's industrial firms slowed sharply as some key manufacturing sectors stumbled on weak activity and rising debt, suggesting the world's second-biggest economy remains underpowered despite emerging signs of stability.

Market Calendar

- U.S. 3rd Quarter GDP Data – **28th Oct 2016**
- Colombo Consumer Price Index for the month of October- **31st Oct 2016**

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Sri Lanka Yield Curve

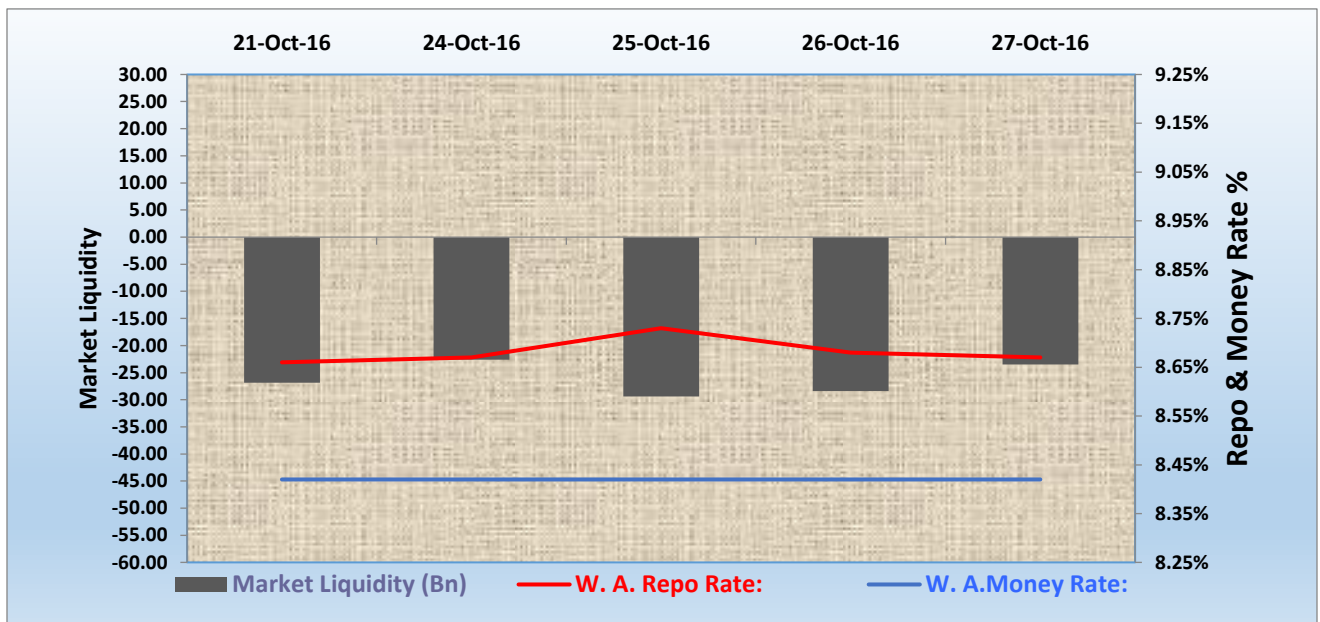


Maturity	Offer %	Bid %	GAP	27-Oct-2016	26-Oct-2016
3m	8.60%	8.80%		8.70%	8.70%
6m	9.60%	9.75%	0.98%	9.68%	9.68%
1y	10.35%	10.50%	0.75%	10.43%	10.43%
15-Oct-18	11.10%	11.20%	0.73%	11.15%	11.13%
15-Sep-19	11.55%	11.60%	0.43%	11.58%	11.53%
1-May-20	11.60%	11.75%	0.10%	11.68%	11.68%
1-Mar-21	11.70%	11.80%	0.08%	11.75%	11.75%
1-Oct-22	11.80%	11.95%	0.13%	11.88%	11.88%
1-Sep-23	11.85%	11.95%	0.03%	11.90%	11.90%
1-Aug-24	11.80%	11.90%	-0.05%	11.85%	11.85%
15-Mar-25	11.85%	11.95%	0.05%	11.90%	11.90%
1-Aug-26	11.85%	11.95%	0.00%	11.90%	11.90%
1-Sep-28	11.90%	12.15%	0.13%	12.03%	12.03%
1-May-29	12.00%	12.20%	0.08%	12.10%	12.10%
15-May-30	12.15%	12.25%	0.10%	12.20%	12.20%
1-Jan-32	12.15%	12.30%	0.03%	12.23%	12.23%
1-Jan-34	12.25%	12.40%	0.10%	12.33%	12.33%
15-Mar-35	12.35%	12.50%	0.10%	12.43%	12.43%
1-Jan-41	12.35%	12.55%	0.03%	12.45%	12.45%
1-Jun-44	12.45%	12.60%	0.08%	12.53%	12.53%
1-Mar-45	12.45%	12.62%	0.01%	12.54%	12.54%

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Market Liquidity	21-Oct-16	24-Oct-16	25-Oct-16	26-Oct-16	27-Oct-16
Standing Deposit Facility(Bn)	4.974	11.434	16.035	8.058	9.028
Standing Lending Facility(Bn)	(8.831)	(8.035)	(15.444)	(9.451)	(5.509)
Repo/Reverse Repo Auction (Bn)	(23.000)	(26.000)	(30.000)	(27.000)	(27.000)
Market Liquidity (Bn)	(26.857)	(22.601)	(29.409)	(28.393)	(23.481)
CBSL Holdings: (Bn)	204.667	207.005	218.461	208.121	205.617

Overnight Money Market	21-Oct-16	24-Oct-16	25-Oct-16	26-Oct-16	27-Oct-16
Repo					
W. A. Repo Rate:	8.66%	8.67%	8.73%	8.68%	8.67%
Gross Amount:(LKR Bn)	29.89	29.45	18.91	29.27	31.56
Call Money					
W. A. Money Rate:	8.42%	8.42%	8.42%	8.42%	8.42%
Gross Amount:(LKR Bn)	13.87	11.84	10.11	10.12	8.15



U.S. \$ Yield	21-Oct-16	24-Oct-16	25-Oct-16	26-Oct-16	27-Oct-16
U.S. 10 Year Yield	1.752%	1.737%	1.786%	1.781%	1.831%
Sri Lanka Int Sovereign Yield 2026	6.002%	5.998%	5.996%	5.997%	6.029%

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Forex Volumes (26-Oct-2016)	USD (Mn)	Average	Colombo Stock Exchange (27-Oct-2016)		
Cash	7.00	146.8386		ASPI	S & P SL 20
TOM	1.00	146.8700	Index	6,438.50	3,584.06
Spot	11.25	146.9000	Day Return %	0.06%	-0.05%
Forwards	46.15				
Total	65.40				

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