

Report Date: 28th December 2016 (SL Time 06.00pm)

Market Report

The secondary market activities remained at a subdued level with yields on 5years trading in a narrow range between 11.95-12.00%. Foreign investors remained on the selling side mainly on the 5year maturity. The yesterday's auction bonds 2024 & 2026 were quoted well above the auction yields. At the close of trading the 01st Aug 2024 was quoted as 12.20/12.35 while the benchmark 10 year maturity 01st Aug 2026 was quoted as 12.25/12.40.

Yields on Sri Lankan Treasury Bills rose at Wednesday's auction with the 3 month bill yield up 7 basis points to 8.72 percent, the 6 month T-bill yield up 2 basis points to 9.63 percent at the auction while the yield on one year bills up 3 basis points to 10.17 percent. Total received 22.95 bn worth of bids and accepted bids worth 8.5 bn.

In the overnight money market repo & call money were exchanged at an average of 8.63% & 8.41% respectively. The overall market liquidity recorded a surplus figure of Rs 34.928bn as Rs 13.554bn worth of overnight money was borrowed by market participants through the CBSL standing lending facility.

The Colombo All Share Price Index gained 0.41% for the day to close at 6228.51 points as gains in the Healthcare, Footwear & Textile and Power & Energy sectors led shares higher. The total turnover for the day was around Rs 1,727mn.

Economic News

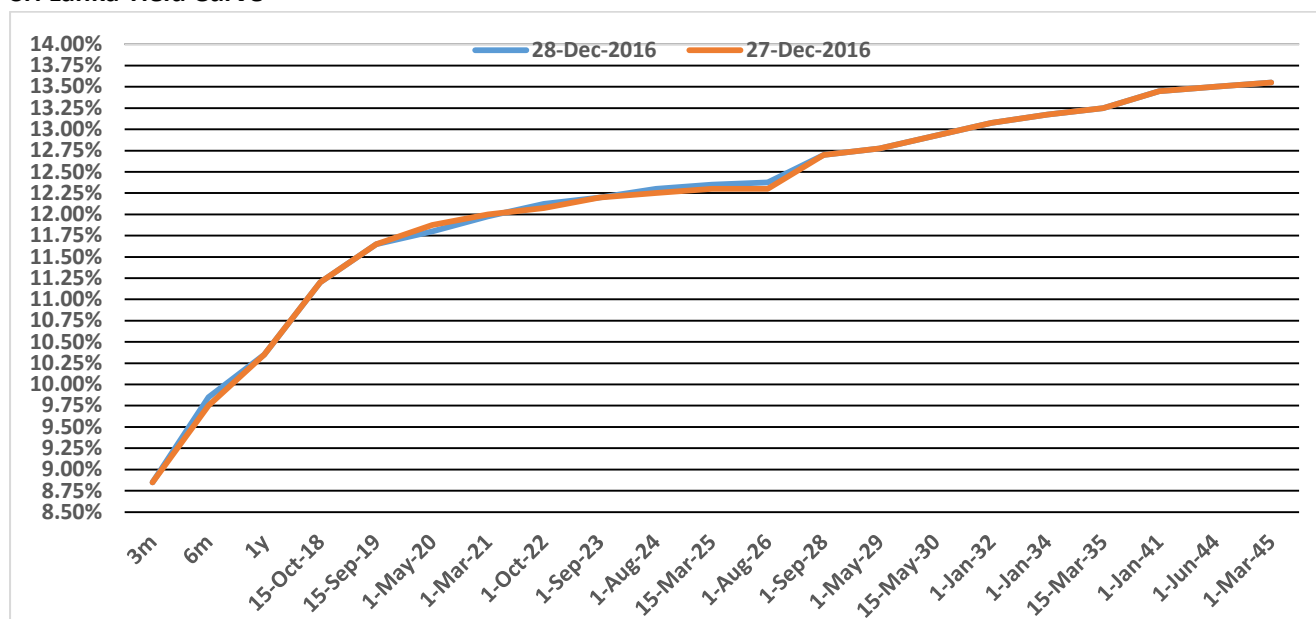
- Oil prices edged down on Wednesday in quiet early Asian trading as the market waits to see how OPEC and non-OPEC members carry through on planned supply cuts in the New Year. International Brent crude futures were trading down 7 cents, or 0.12 percent, at \$56.02 a barrel. U.S. benchmark West Texas Intermediate (WTI) crude oil prices were down 8 cents at \$53.82 per barrel.
- Sri Lankan rupee fell on Wednesday on modest dollar demand after the central bank raised the spot reference rate, while the apex bank's new limit on one-week forwards capped further loss. Rupee forwards were active, with one-week forwards trading at 150.00/20 per dollar, down from Tuesday's close of 149.70/150.00.
- Vietnam will receive an estimated \$15.8 billion in actual foreign direct investment (FDI) in 2016, up 9 percent from a year ago. New FDI pledges and additional funds to finance existing projects this year would rise 7 percent from 2015 to a combined \$24.4 billion.
- Twenty billion euros earmarked by the Italian government would be enough to cover funding requirements at all the ailing banks currently under observation by the Treasury and the Bank of Italy.

Market Calendar

- CBSL Monetary Policy Meeting - **30th Dec 2016**
- Colombo Consumer Price Index - **30th Dec 2016**

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Sri Lanka Yield Curve

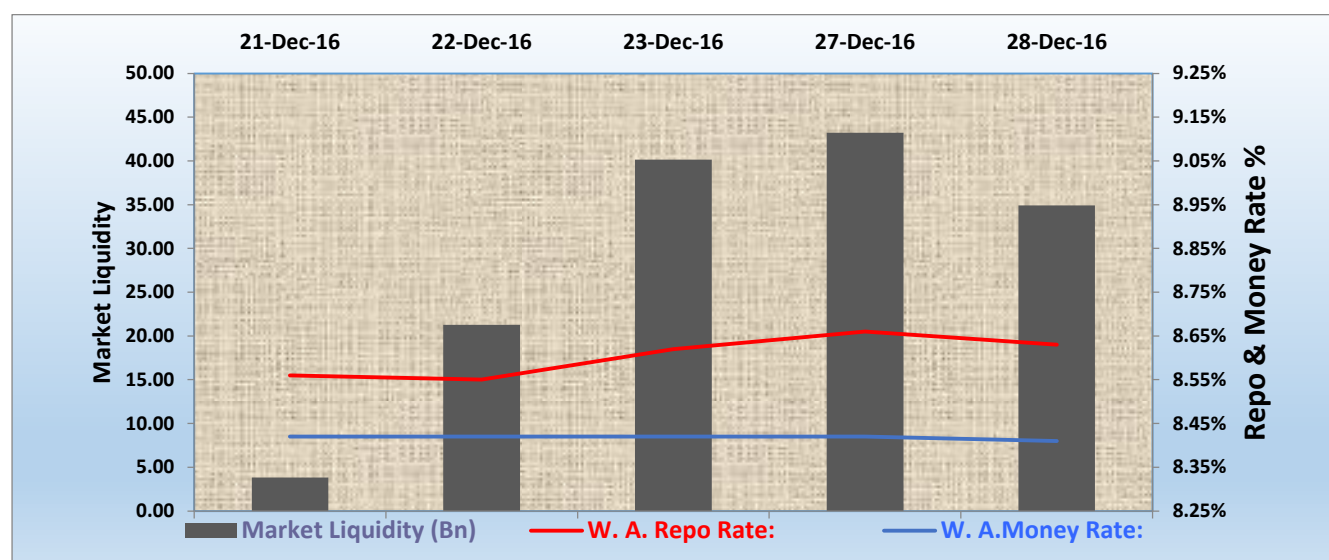


<u>Maturity</u>	<u>Offer %</u>	<u>Bid %</u>	<u>GAP</u>	<u>28-Dec-2016</u>	<u>27-Dec-2016</u>
3m	8.70%	9.00%		8.85%	8.85%
6m	9.70%	10.00%	1.00%	9.85%	9.75%
1y	10.20%	10.50%	0.50%	10.35%	10.35%
15-Oct-18	11.10%	11.30%	0.85%	11.20%	11.20%
15-Sep-19	11.60%	11.70%	0.45%	11.65%	11.65%
1-May-20	11.70%	11.90%	0.15%	11.80%	11.88%
1-Mar-21	11.95%	12.00%	0.18%	11.98%	12.00%
1-Oct-22	12.00%	12.25%	0.15%	12.13%	12.08%
1-Sep-23	12.10%	12.30%	0.08%	12.20%	12.20%
1-Aug-24	12.20%	12.40%	0.10%	12.30%	12.25%
15-Mar-25	12.25%	12.45%	0.05%	12.35%	12.30%
1-Aug-26	12.30%	12.45%	0.03%	12.38%	12.30%
1-Sep-28	12.60%	12.80%	0.33%	12.70%	12.70%
1-May-29	12.70%	12.85%	0.08%	12.78%	12.78%
15-May-30	12.75%	13.10%	0.15%	12.93%	12.93%
1-Jan-32	13.00%	13.15%	0.15%	13.08%	13.08%
1-Jan-34	13.10%	13.25%	0.10%	13.18%	13.18%
15-Mar-35	13.15%	13.35%	0.08%	13.25%	13.25%
1-Jan-41	13.30%	13.60%	0.20%	13.45%	13.45%
1-Jun-44	13.35%	13.65%	0.05%	13.50%	13.50%
1-Mar-45	13.40%	13.70%	0.05%	13.55%	13.55%

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Market Liquidity	21-Dec-16	22-Dec-16	23-Dec-16	27-Dec-16	28-Dec-16
Standing Deposit Facility(Bn)	26.311	28.457	47.744	22.230	22.007
Standing Lending Facility(Bn)	(22.502)	(14.549)	(10.998)	(14.541)	(13.554)
Repo/Reverse Repo Auction (Bn)	-	7.366	3.391	35.515	26.475
Market Liquidity (Bn)	3.809	21.274	40.137	43.204	34.928
CBSL Holdings: (Bn)	245.851	230.606	239.526	211.264	219.365

Overnight Money Market	21-Dec-16	22-Dec-16	23-Dec-16	27-Dec-16	28-Dec-16
Repo					
W. A. Repo Rate:	8.56%	8.55%	8.62%	8.66%	8.63%
Gross Amount:(LKR Bn)	36.01	36.51	31.30	24.32	28.26
Call Money					
W. A. Money Rate:	8.42%	8.42%	8.42%	8.42%	8.41%
Gross Amount:(LKR Bn)	17.01	16.54	16.30	11.40	15.45

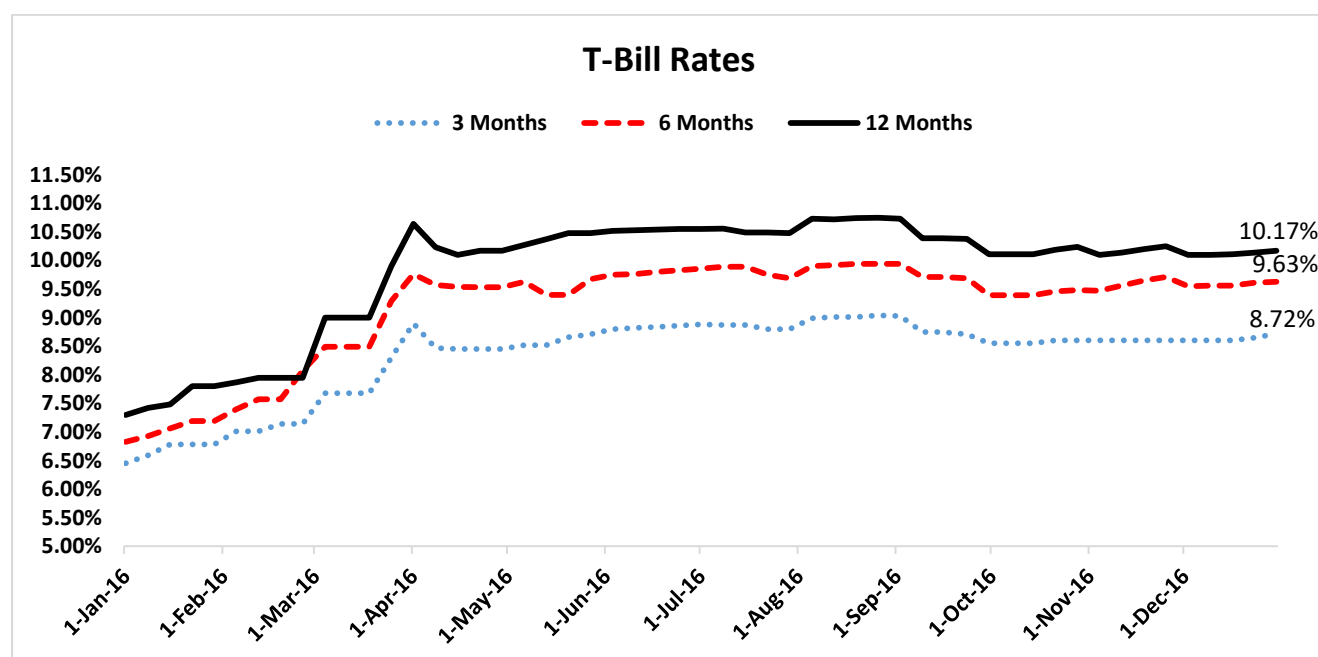


U.S. \$ Yield	21-Dec-16	22-Dec-16	23-Dec-16	27-Dec-16	28-Dec-16
U.S. 10 Year Yield	2.557%	2.550%	2.543%	2.561%	2.560%
Sri Lanka Int Sovereign Yield 2026	7.114%	7.111%	7.111%	7.097%	7.102%

1 Week Closing	150.70/85	150.85/95	149.75/90	150.05/15	150.00/25
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Forex Volumes (27-Dec-2016)	USD (Mn)	Average	Colombo Stock Exchange (28-Dec-2016)		
Cash	7.00	149.4600		ASPI	S & P SL 20
TOM	2.25	149.4800	Index	6,228.51	3,505.78
Spot	1.00	149.5000	Day Return %	0.41%	0.83%
Forwards	36.65				
Total	46.90				



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