

Report Date: 04th January 2017 (SL Time 06.00pm)

Market Report

The secondary market yields moved up from yesterday's closing levels as foreign investors continued to unload 4 & 5 year maturities which were absorbed by state entities. At the close of trading the 01st August 2021 was quoted as 12.12/12.18 while the 01st August 2024 was exchanged between 12.20% and 12.28%.

In the Treasury bill auction the yields rose across the board with 3 & 12 months moving up by 6bps, 5bps to 8.78% & 10.22% respectively while the 6months rose by 16bps to 9.79%. The CBSL offered Rs 31.5bn worth of bills for this week and accepted around Rs 31bn with more being taken from the 6months.

In the overnight money market repo & call money were exchanged at an average of 8.59% & 8.36% respectively. The CBSL continued with its OMO activities by absorbing Rs 56bn worth of overnight money from the system through a Repo Auction at the rate of 7.41% whereas the market liquidity recorded a surplus figure of Rs 103bn.

Today the stock market recorded a turnover of 958mn while the turnover mainly comes from some block trades, All Share Price Index lost 0.10% for the day to close at 6153.13 points as losses in the Plantations, Land & Property and Chemicals & Pharmaceuticals sectors led shares lower.

Economic News

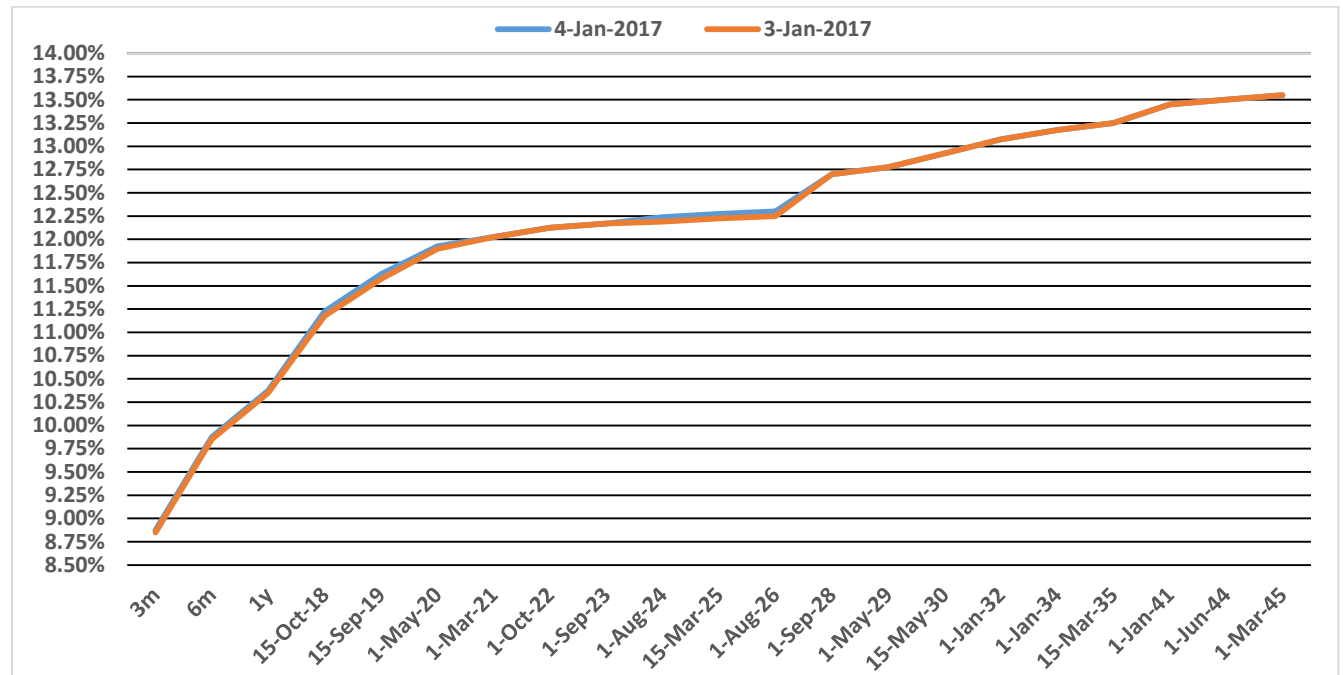
- Sri Lanka will decriminalize foreign exchange transactions, replacing a draconian law that bans the use of foreign currency, which was brought when a money printing central bank started generating foreign exchange shortages after independence.
- The Sri Lankan rupee was steady in thin trade on Wednesday amid worries over slowing foreign fund inflows, even as the central bank chief said defending the currency using foreign exchange reserves was not sensible. Rupee forwards were active, with one-month forwards trading at 150.90/10 per dollar, compared with Tuesday's close of 151.00/20.
- The U.S. economy is on track to grow at a 2.9 percent annualized pace in the fourth quarter following the latest data on inventory, spending, investments and net exports, the Atlanta Federal Reserve's GDP forecast model showed.
- Oil prices ticked higher on Wednesday on expectations that U.S. crude inventories are falling and signs that oil producers will stick to agreed output cuts that took effect this week. Global benchmark Brent crude futures were up 10 cents at \$55.57 a barrel, U.S. West Texas Intermediate crude futures were trading at \$52.42 per barrel, up 9 cents.

Market Calendar

- CBSL T-Bond Auction - **09th Jan 2017** (Total Offered Rs 55bn)
(15-Jan-2019: Rs 6bn, 15-Dec-2021: Rs 16bn, 01-Aug-2024: Rs 16bn, 01-Aug-2026: Rs 17bn)

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Sri Lanka Yield Curve

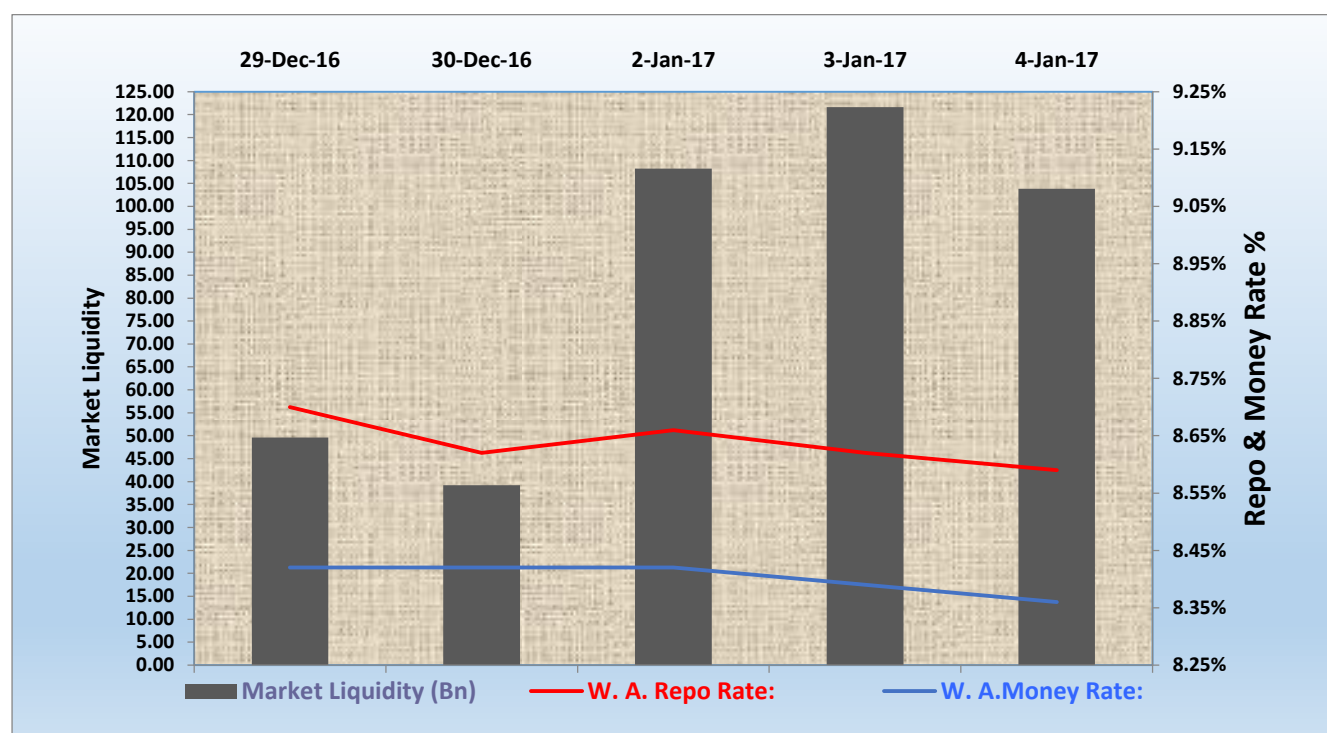


Maturity	Offer %	Bid %	GAP	4-Jan-2017	3-Jan-2017
3m	8.75%	9.00%		8.88%	8.85%
6m	9.75%	10.00%	1.00%	9.88%	9.85%
1y	10.25%	10.50%	0.50%	10.38%	10.35%
15-Oct-18	11.20%	11.25%	0.85%	11.23%	11.18%
15-Sep-19	11.55%	11.70%	0.40%	11.63%	11.58%
1-May-20	11.85%	12.00%	0.30%	11.93%	11.90%
1-Mar-21	12.00%	12.05%	0.10%	12.03%	12.03%
1-Oct-22	12.00%	12.25%	0.10%	12.13%	12.13%
1-Sep-23	12.12%	12.22%	0.05%	12.17%	12.17%
1-Aug-24	12.20%	12.28%	0.07%	12.24%	12.19%
15-Mar-25	12.20%	12.35%	0.03%	12.28%	12.23%
1-Aug-26	12.25%	12.35%	0.03%	12.30%	12.25%
1-Sep-28	12.60%	12.80%	0.40%	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	29-Dec-16	30-Dec-16	2-Jan-17	3-Jan-17	4-Jan-17
Standing Deposit Facility(Bn)	36.488	48.652	66.886	44.754	52.284
Standing Lending Facility(Bn)	(19.547)	(30.807)	(8.622)	(6.139)	(4.446)
Repo/Reverse Repo Auction (Bn)	32.700	21.375	50.000	83.000	56.000
Market Liquidity (Bn)	49.641	39.220	108.264	121.615	103.838
CBSL Holdings: (Bn)	232.356	330.078	279.609	243.262	232.636

Overnight Money Market	29-Dec-16	30-Dec-16	2-Jan-17	3-Jan-17	4-Jan-17
Repo					
W. A. Repo Rate:	8.70%	8.62%	8.66%	8.62%	8.59%
Gross Amount:(LKR Bn)	22.93	30.40	22.81	21.55	17.24
Call Money					
W. A. Money Rate:	8.42%	8.42%	8.42%	8.39%	8.36%
Gross Amount:(LKR Bn)	15.17	9.98	15.81	9.43	6.55

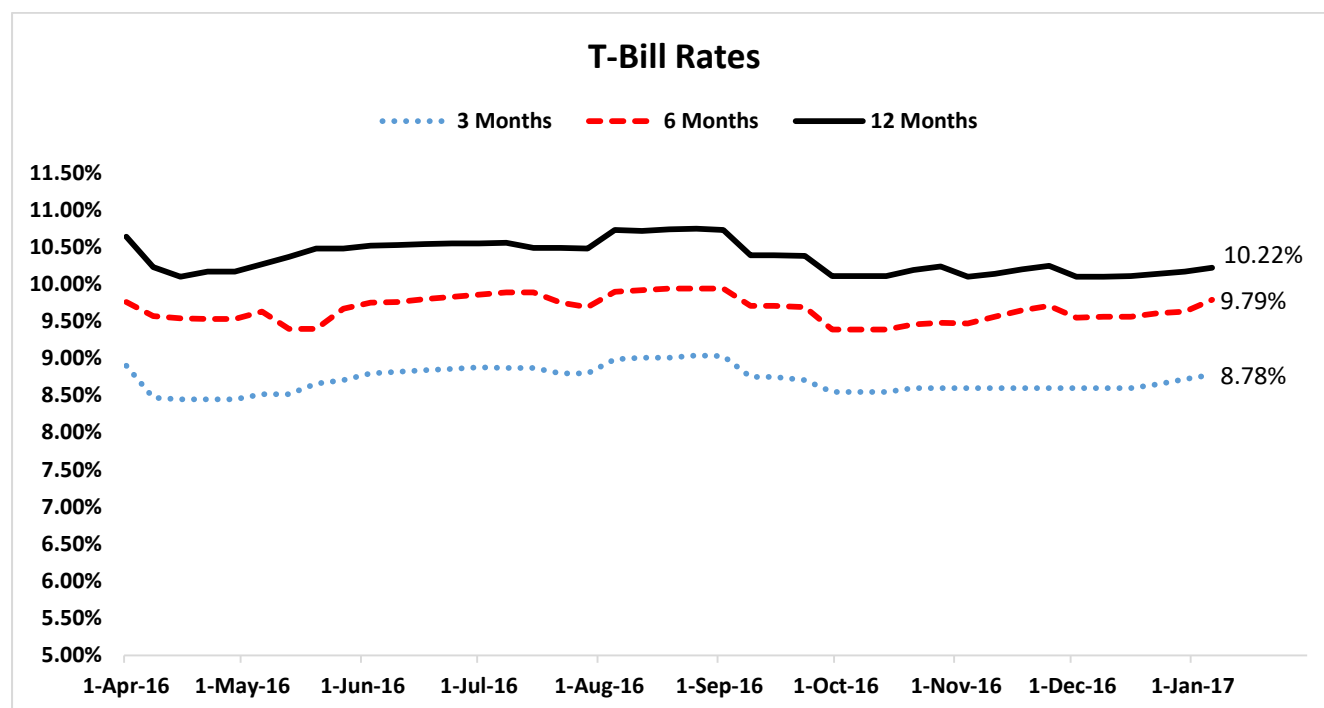


U.S. \$ Yield	29-Dec-16	30-Dec-16	2-Jan-17	3-Jan-17	4-Jan-17
U.S. 10 Year Yield	2.475%	2.455%	2.446%	2.513%	2.452%
Sri Lanka Int Sovereign Yield 2026	7.084%	7.075%	7.076%	6.977%	6.688%

1 Week Closing	150.05/20	150.20/40	150.05/15	150.10/20	150.25/35
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Forex Volumes (03-Jan-2017)	USD (Mn)	Average	Colombo Stock Exchange (04-Jan-2017)		
Cash	6.00	149.9517		ASPI	S & P SL 20
TOM	1.50	149.9800	Index	6,153.13	3,447.75
Spot	5.14	149.9992	Week Return %	-0.10%	0.27%
Forwards	13.50				
Total	26.14				



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