

Report Date: 22nd February 2017 (SL Time 06.00pm)

Market Report

The Secondary bond Market was fairly quiet on Wednesday with yields closing lower on light volumes. The maturity 1st May 2021 was traded between 12.50 and 12.65 while the liquid maturity 1st Aug 2024 was traded at 12.55.

In the overnight money market repo & call money were exchanged at an average rate of 8.68% & 8.49% respectively. The CBSL continued with its OMO activities by injecting Rs 25.93bn worth of overnight money to the system through a Re-repo Auction at the rate of 8.48% as overnight market liquidity recorded a deficit figure of Rs 43.59bn.

The Colombo All Share Price Index gained 0.04% for the day to close at 6,129.69 points as gains in the Healthcare, Construction & Engineering and Services sectors led shares higher. Foreign investors remained net buyers for the day with net foreign inflow of Rs 38mn. The turnover for the day was around Rs 482mn.

Economic News

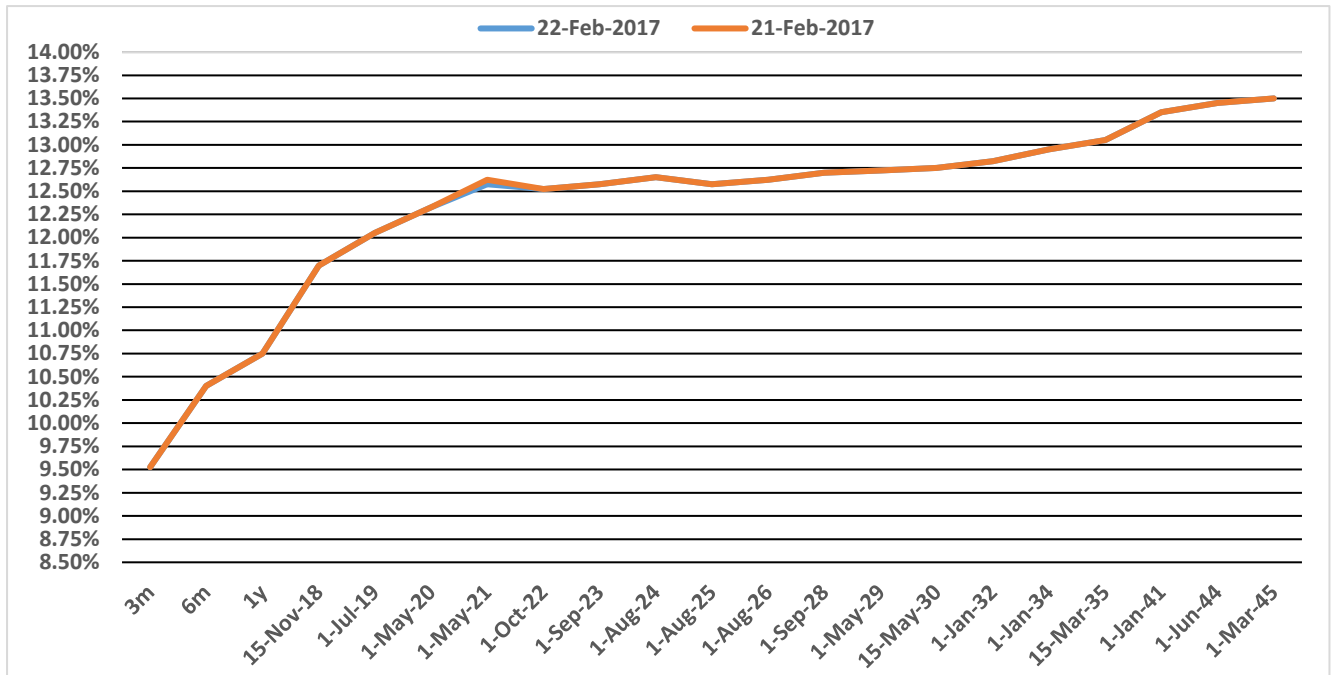
- The Sri Lankan rupee ended weaker on Wednesday on importer dollar demand as local traders bought the U.S. currency as a precaution amid concerns of a steep depreciation in the rupee in the absence of central bank intervention. Rupee forwards were active with two week forwards ending at 153.40/70 per dollar, after hitting a low of 153.65 during the day, weaker than Tuesday's close of 152.70/90.
- Global oil prices slipped on Wednesday as the U.S. dollar, in which payments for crude are made, rose but they traded broadly at multi week highs after OPEC signaled optimism over its deal with other producers to curb output. The U.S. West Texas Intermediate April crude contract was down 34 cents at \$53.99 a barrel, Brent crude was down 44 cents, at \$56.83.
- Sri Lanka will raise at least 450 million dollars from a syndicated loan for which the government has selected 6 banks. Last year Sri Lanka raised 700 million dollars from a syndicated loan. Sri Lanka has a 'B+' speculative rating. Sri Lanka wanted to raise about a billion US dollars from the syndicated loan.
- Sri Lanka's capital market players are not expecting a capital gain tax (CGT) on the share market as it will have a cascading effect on the already deprived stock market in the island. Group Director of Candor Group Ravi Abey Suriya, speaking at a capital market conference organized by UTO Edu Consult, said CGT will be a nightmare to implement on stocks.

Market Calendar

- Treasury bond auction (CBSL) - **23rd Feb 2017** (Total offered Rs 66bn)
(15th Jan 2019: Rs 9bn, 15th Dec 2021: Rs 19bn, 1st Aug 2024: Rs 19bn,
1st Aug 2026: Rs 19bn)
- Colombo consumer price Index - **28th Feb 2017**

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Sri Lanka Yield Curve

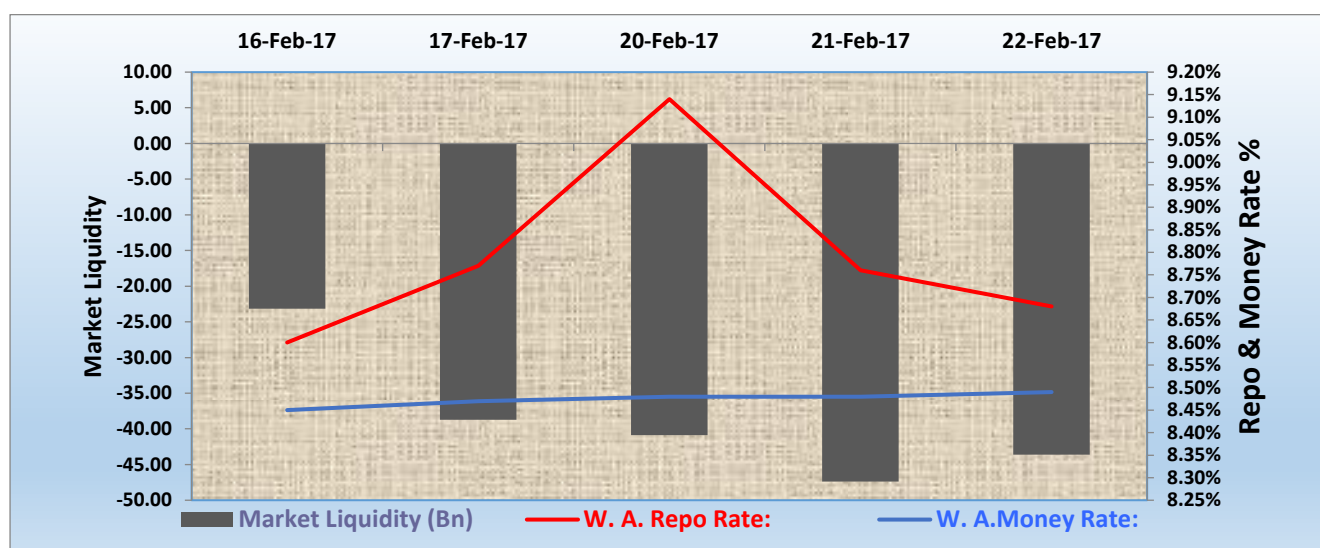


| <u>Maturity</u> | <u>Offer %</u> | <u>Bid %</u> | <u>GAP</u> | <u>22-Feb-2017</u> | <u>21-Feb-2017</u> |
|-----------------|----------------|--------------|------------|--------------------|--------------------|
| 3m | 9.35% | 9.70% | | 9.53% | 9.53% |
| 6m | 10.20% | 10.60% | 0.87% | 10.40% | 10.40% |
| 1y | 10.60% | 10.90% | 0.35% | 10.75% | 10.75% |
| 15-Nov-18 | 11.60% | 11.80% | 0.95% | 11.70% | 11.70% |
| 1-Jul-19 | 12.00% | 12.10% | 0.35% | 12.05% | 12.05% |
| 1-May-20 | 12.20% | 12.45% | 0.28% | 12.33% | 12.33% |
| 1-May-21 | 12.50% | 12.65% | 0.25% | 12.58% | 12.63% |
| 1-Oct-22 | 12.40% | 12.65% | -0.05% | 12.53% | 12.53% |
| 1-Sep-23 | 12.50% | 12.65% | 0.05% | 12.58% | 12.58% |
| 1-Aug-24 | 12.55% | 12.75% | 0.08% | 12.65% | 12.65% |
| 1-Aug-25 | 12.45% | 12.70% | -0.08% | 12.58% | 12.58% |
| 1-Aug-26 | 12.50% | 12.75% | 0.05% | 12.63% | 12.63% |
| 1-Sep-28 | 12.60% | 12.80% | 0.08% | 12.70% | 12.70% |
| 1-May-29 | 12.65% | 12.80% | 0.03% | 12.73% | 12.73% |
| 15-May-30 | 12.65% | 12.85% | 0.03% | 12.75% | 12.75% |
| 1-Jan-32 | 12.70% | 12.95% | 0.08% | 12.83% | 12.83% |
| 1-Jan-34 | 12.85% | 13.05% | 0.13% | 12.95% | 12.95% |
| 15-Mar-35 | 12.95% | 13.15% | 0.10% | 13.05% | 13.05% |
| 1-Jan-41 | 13.25% | 13.45% | 0.30% | 13.35% | 13.35% |
| 1-Jun-44 | 13.35% | 13.55% | 0.10% | 13.45% | 13.45% |
| 1-Mar-45 | 13.40% | 13.60% | 0.05% | 13.50% | 13.50% |

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| Market Liquidity | 16-Feb-17 | 17-Feb-17 | 20-Feb-17 | 21-Feb-17 | 22-Feb-17 |
|--------------------------------|------------------|------------------|------------------|------------------|------------------|
| Standing Deposit Facility(Bn) | 7.954 | 6.588 | 6.989 | 1.964 | 1.451 |
| Standing Lending Facility(Bn) | (11.122) | (3.324) | (9.872) | (8.109) | (19.120) |
| Repo/Reverse Repo Auction (Bn) | (20.000) | (42.000) | (38.000) | (41.230) | (25.930) |
| Market Liquidity (Bn) | (23.168) | (38.736) | (40.883) | (47.375) | (43.599) |
| CBSL Holdings: (Bn) | 249.548 | 249.243 | 251.991 | 253.482 | 249.252 |

| Overnight Money Market | 16-Feb-17 | 17-Feb-17 | 20-Feb-17 | 21-Feb-17 | 22-Feb-17 |
|-------------------------------|------------------|------------------|------------------|------------------|------------------|
| Repo | | | | | |
| W. A. Repo Rate: | 8.60% | 8.77% | 9.14% | 8.76% | 8.68% |
| Gross Amount:(LKR Bn) | 21.71 | 12.06 | 5.92 | 14.07 | 19.87 |
| Call Money | | | | | |
| W. A. Money Rate: | 8.45% | 8.47% | 8.48% | 8.48% | 8.49% |
| Gross Amount:(LKR Bn) | 10.00 | 11.28 | 9.27 | 11.84 | 12.57 |



| U.S. \$ Yield | 16-Feb-17 | 17-Feb-17 | 20-Feb-17 | 21-Feb-17 | 22-Feb-17 |
|------------------------------------|------------------|------------------|------------------|------------------|------------------|
| U.S. 10 Year Yield | 2.477% | 2.449% | 2.420% | 2.452% | 2.418% |
| Sri Lanka Int Sovereign Yield 2026 | 6.608% | 6.613% | 6.609% | 6.599% | 6.552% |

| | | | | | |
|-----------|-----------|---------------|-----------|-----------|-----------|
| Spot rate | 150.75 | 150.85 | 150.85 | 151.25 | 151.25 |
| 2 Weeks | 151.55/65 | 151.80/152.00 | 152.45/70 | 152.70/80 | 153.25/45 |

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| Forex Volumes (21-Feb-2017) | USD (Mn) | Average | Colombo Stock Exchange (22-Feb-2017) | | |
|-----------------------------|--------------|----------|--------------------------------------|----------|-------------|
| Cash | 9.00 | 151.1467 | | ASPI | S & P SL 20 |
| TOM | 13.00 | 151.2156 | Index | 6,129.69 | 3,538.85 |
| Spot | 17.50 | 151.2426 | Day Return % | 0.04% | -0.17% |
| Forwards | 45.00 | | | | |
| Total | 84.50 | | | | |

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