

Report Date: 06th January 2017 (SL Time 06.00pm)

Market Report

The secondary market trading activities for the week ended on a sluggish note with low volumes on 5 year & 8 year maturities. At the close of trading the maturity 01st Aug 2021 was traded between 12.05 and 12.15 while the maturity 01st Aug 2024 and 01st Aug 2026 quoted as 12.20/30 & 12.20/45 respectively.

In the overnight money market repo & call money were exchanged at an average of 8.54% & 8.34% respectively. The CBSL continued with its OMO activities by absorbing Rs 60.642bn worth of overnight money from the system through a Repo Auction at the rate of 7.40% as the market liquidity recorded a surplus figure of Rs 78bn.

At the end of the week the stock market slightly moved up with less volumes and the turnover was around 237mn. All Share Price Index gained 0.09% for the day to close at 6153.02 points as gains in the Services, Telecoms and Beverages & Tobacco sectors led shares higher.

Economic News

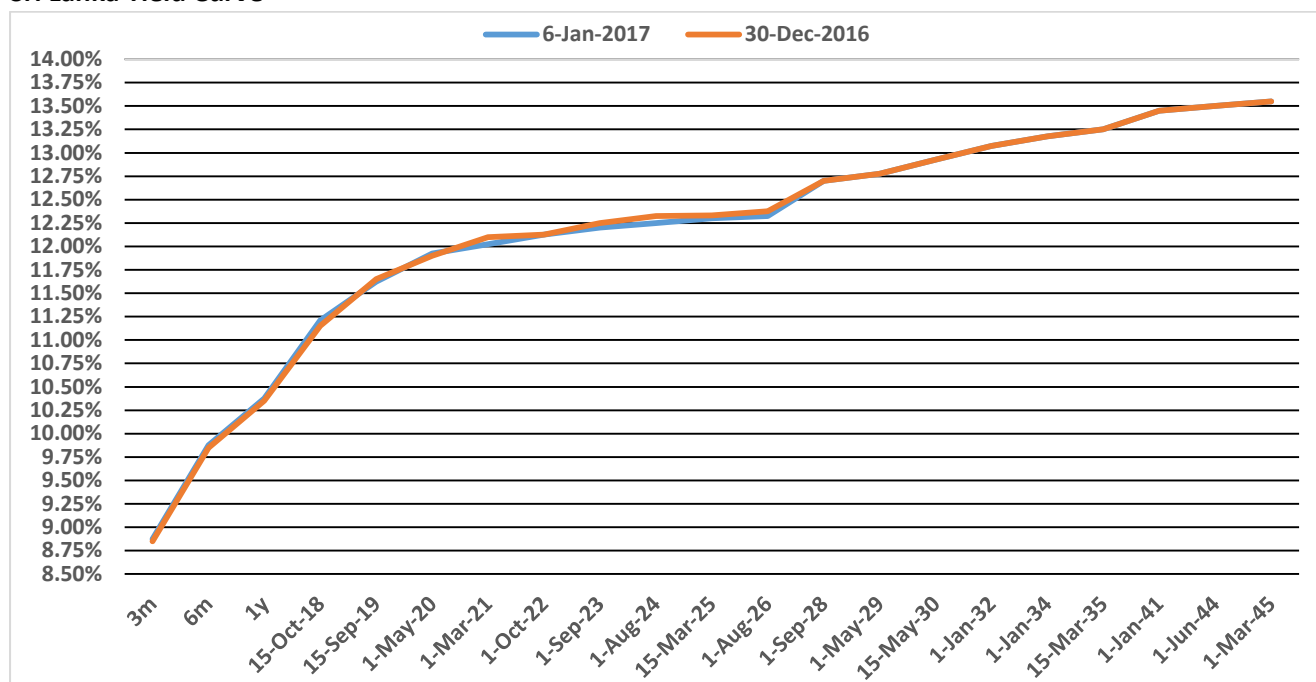
- Sri Lanka's leading business chamber has called on the business community to support and embrace the Central Bank's Roadmap 2017 which announced a shift in monetary policy making towards a flexible inflation targeting framework away from the current money supply targeting framework.
- The Bank of Japan is considering a slight increase in its consumer price forecasts at its next policy meeting as a rapid decline in the yen pushes up import prices, the BOJ currently expects consumer prices to rise by 1.5 percent in fiscal 2017 and by 1.7 percent in fiscal 2018, according to forecasts it issued in November.
- The Sri Lankan rupee traded weaker on Friday due to dollar buying by foreign banks and importers, but the central bank's moral suasion continued to prevent further decline, days after the monetary authority signalled a change in its intervention policy. Rupee forwards were active, with one-month forwards trading at 151.20/40 per dollar, compared with Thursday's close of 151.00/20.
- Oil prices held steady on Friday, as market players continued to weigh developments surrounding a landmark agreement between major oil producers to reduce crude output and looked ahead to a measure of production in the U.S. Crude oil for February delivery on the New York Mercantile Exchange slipped 2 cents, or 0.04%, to \$53.74 a barrel, Brent oil for March delivery on the ICE Futures Exchange in London dropped 4 cents, or 0.07%, to \$56.85 a barrel.

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)
- CBSL T-Bill Auction - **10th Jan 2017** (Total Offered Rs 24bn)
(91 days: Rs 5bn, 182 days: Rs 10bn, 364 days: Rs 9bn)

Next Page =>

Sri Lanka Yield Curve

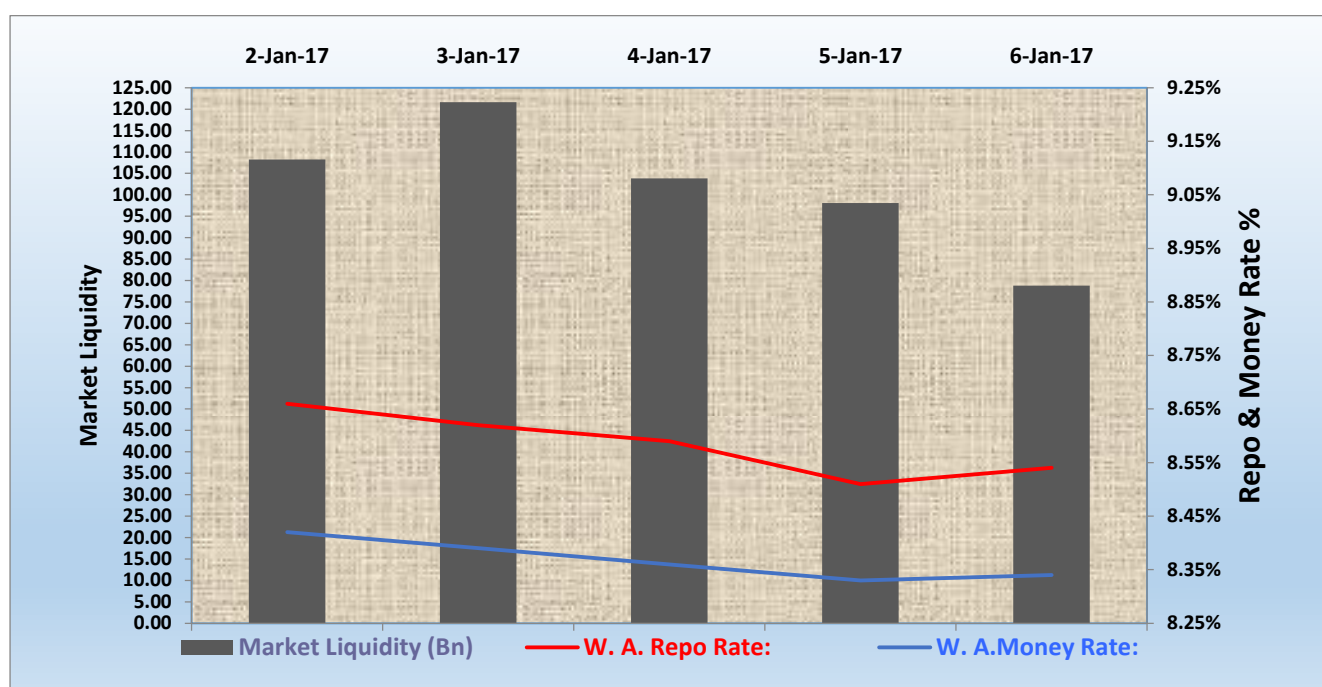


Maturity	Offer %	Bid %	GAP	6-Jan-2017	30-Dec-2016
3m	8.75%	9.00%		8.88%	8.85%
6m	9.75%	10.00%	1.00%	9.88%	9.85%
1y	10.25%	10.50%	0.50%	10.38%	10.35%
15-Oct-18	11.17%	11.25%	0.84%	11.21%	11.15%
15-Sep-19	11.55%	11.70%	0.42%	11.63%	11.65%
1-May-20	11.85%	12.00%	0.30%	11.93%	11.90%
1-Mar-21	12.00%	12.05%	0.10%	12.03%	12.10%
1-Oct-22	12.00%	12.25%	0.10%	12.13%	12.13%
1-Sep-23	12.15%	12.25%	0.08%	12.20%	12.25%
1-Aug-24	12.20%	12.30%	0.05%	12.25%	12.33%
15-Mar-25	12.25%	12.35%	0.05%	12.30%	12.33%
1-Aug-26	12.25%	12.40%	0.03%	12.33%	12.38%
1-Sep-28	12.60%	12.80%	0.38%	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%

Next Page =>

Market Liquidity	2-Jan-17	3-Jan-17	4-Jan-17	5-Jan-17	6-Jan-17
Standing Deposit Facility(Bn)	66.886	44.754	52.284	15.994	21.984
Standing Lending Facility(Bn)	(8.622)	(6.139)	(4.446)	(1.993)	(3.803)
Repo/Reverse Repo Auction (Bn)	50.000	83.000	56.000	84.098	60.642
Market Liquidity (Bn)	108.264	121.615	103.838	98.099	78.823
CBSL Holdings: (Bn)	279.609	243.262	232.636	202.226	205.506

Overnight Money Market	2-Jan-17	3-Jan-17	4-Jan-17	5-Jan-17	6-Jan-17
Repo					
W. A. Repo Rate:	8.66%	8.62%	8.59%	8.51%	8.54%
Gross Amount:(LKR Bn)	22.81	21.55	17.24	19.25	17.02
Call Money					
W. A. Money Rate:	8.42%	8.39%	8.36%	8.33%	8.34%
Gross Amount:(LKR Bn)	15.81	9.43	6.55	11.70	7.01



U.S. \$ Yield	2-Jan-17	3-Jan-17	4-Jan-17	5-Jan-17	6-Jan-17
U.S. 10 Year Yield	2.446%	2.513%	2.452%	2.439%	2.354%
Sri Lanka Int Sovereign Yield 2026	7.076%	6.977%	6.688%	6.522%	6.499%

1 Week Closing	150.05/15	150.10/20	150.25/35	150.35/45	150.35/50
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Next Page =>

Forex Volumes (05-Jan-2017)	USD (Mn)	Average	Colombo Stock Exchange (06-Jan-2017)		
Cash	8.50	149.8988		ASPI	S & P SL 20
TOM	12.50	149.9222	Index	6,153.02	3,462.25
Spot	13.10	150.0000	Week Return %	-1.21%	-0.98%
Forwards	40.25				
Total	74.35				

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