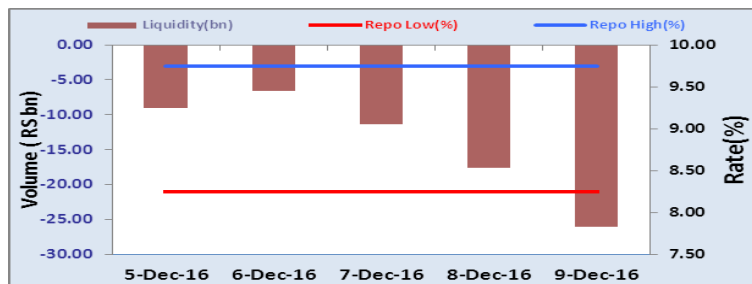


WEEKLY REVIEW FOR THE WEEK ENDING 09th December 2016

Money Market: Liquidity shortfall increases drastically.

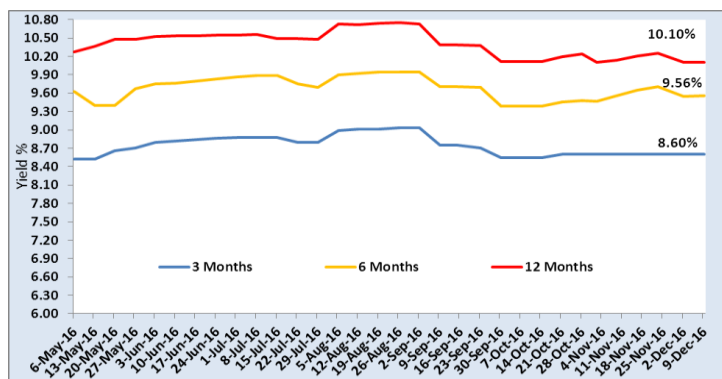
Market recorded a deficit of Rs26billion at the end of the week .Market participants were seen borrowing Rs.28-40billion from CBSL-SLF @8.50% while overnight Repo was exchanged between 8.40%-8.70% levels.



Government Securities Market Review

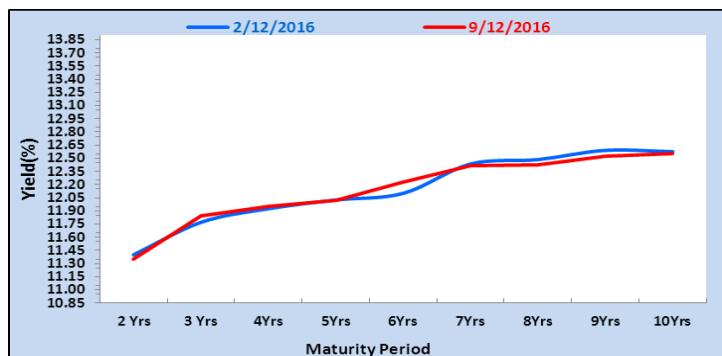
Treasury bill Market: Benchmark 1 year remains unchanged at auction.

Total amount accepted through auction was Rs.17.9billion to the offered amount of Rs.25billion.3months and 1 year bills were accepted at the rate of 8.60% and 10.10 % respectively while the 6months bill showed an increase by 1basis point to 9.56%.



Bond Market: Foreign selling continues ahead of next weeks Fed policy decision.

Market witnessed greater activity on shorter tenor bonds compared with longer tenor maturities as foreign participants were seen offloading 15/11/2018, 01/07/2019 and 15/09/2019 to local market participants from 11.75%-11.90% levels. The liquid 5 Year was quoted 11.95/12.10 on Fridays closing.

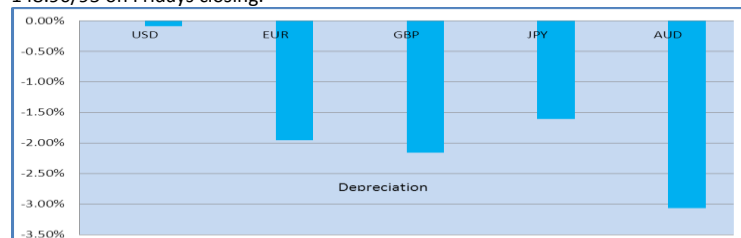


International Forex Market

The dollar held steady against the other major's currencies on Friday, as investors continued to digest the European Central Bank's latest policy move and eyed the release of U.S. consumer sentiment data due later in the day. The U.S. dollar index was little changed at 101.06.

Local Forex Market

The Sri Lankan rupee traded steady on Friday as exporter dollar sales offset demand for the greenback from state banks. Spot next was quoted 148.90/95 on Fridays closing.



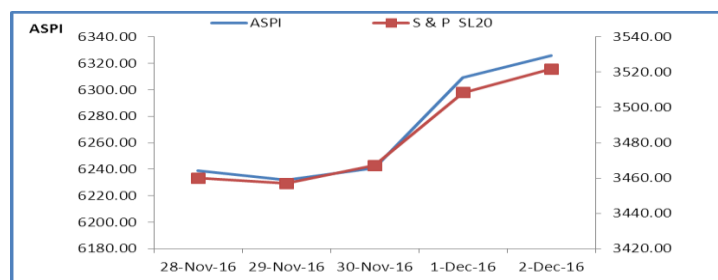
Commodity Markets

- **Oil:** Crude oil futures gained in Asia on Friday as investors looked ahead to U.S. rig count figures for insight on domestic output and ahead to a weekend meeting to further detail planned production cuts by OPEC and Russia. February crude futures on the New York Mercantile Exchange rose 0.37% to \$51.03 a barrel.
- **Gold:** Gold prices slipped lower on Friday, as the U.S. dollar remained supported and as investors turned their focus to the upcoming Federal Reserve meeting next week. On the Comex division gold futures for February delivery were down 0.18% at \$1,170.35.

Economic updates -Local & Foreign

- Sri Lanka's forex reserves fell 695 million dollars to 5358 million US dollars in November 2016 from 6,053 million dollars a month earlier.
- Rating agency Fitch has revised its sector outlook for Sri Lankan banks to Negative from Stable. Most of Asia-Pacific's (APAC) banking sectors are facing a cyclical deterioration in asset quality in 2017, as a challenging economic environment continues to put pressure on borrowers.
- The euro zone bailout fund is not preparing financial support for Italy though some individual Italian banks have problems and need to raise capital.

Stock Market – Review



At the end of the week the ASPI has loss 44.02 points to finish at 6324.10.While the S & P SL20 index which tracks the 20 largest capitalized stocks traded on the CSE has also lost 0.83 points and ended at 3555.02.The average turnover for the week ending 09/12/2016 was around Rs.140Mn.