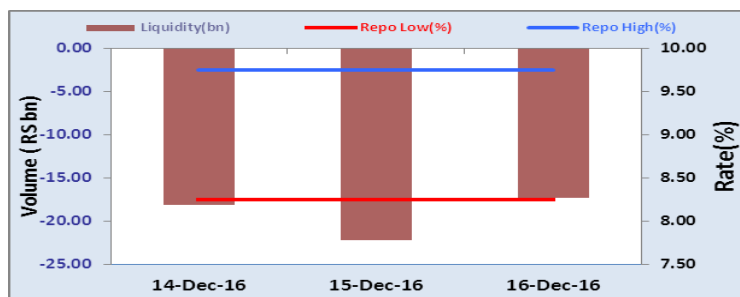


WEEKLY REVIEW FOR THE WEEK ENDING 16th December 2016

Money Market: Liquidity shortfall decreases end of the week.

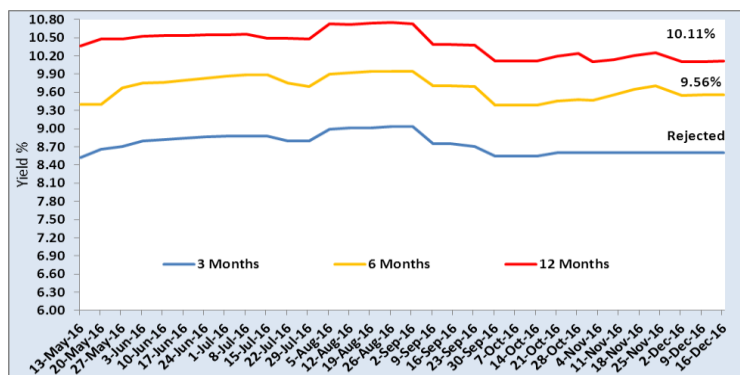
Market recorded a deficit of Rs17.3billion at the end of the week .Market participants were seen borrowing Rs.41-50billion from CBSL-SLF @8.50% while overnight Repo was exchanged between 8.40%-8.70% levels. Central bank was seen injecting money Rs6.42billion to the system by way of outright purchasing of treasury bills through OMO auctions.



Government Securities Market Review

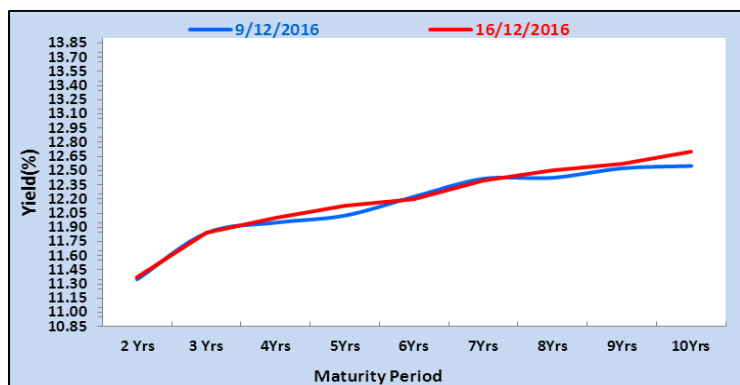
Treasury bill Market: CBSL rejects bids for 3month bills.

Total amount accepted through auction was Rs.6.1billion to the offered amount of Rs.24billion.3months bill was rejected through the auction and 6months bills remained unchanged at 9.56%.The benchmark 1year increased by 1 basis point to 10.11%.



Bond Market: Moderate activity during the week.

Activity in the bond market remained grey with marginal trades happening on expectation of bond auction which is to be held on 01/01/2017 bond maturing. The liquid 5 Year was quoted 11.95/12.15 on Fridays closing.

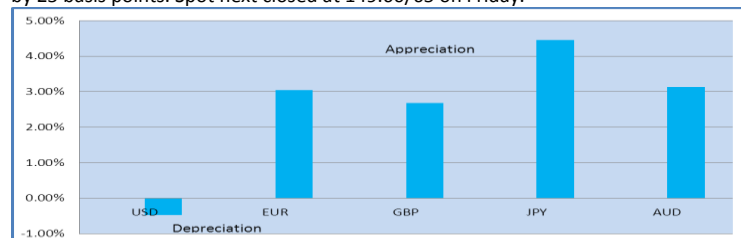


International Forex Market

The dollar continued to fall against the other majors currencies on Friday, as investors locked in profits from the greenback's rally to fresh 14-year highs following the Federal Reserve's decision to raise interest rates for the first time since December 2015.The U.S. dollar index at 102.83.

Local Forex Market

The Sri Lankan rupee fell as banks bought the dollar after Central Bank raised spot reference rate further and the U.S. Federal Reserve raising interest rate by 25 basis points. Spot next closed at 149.60/65 on Friday.



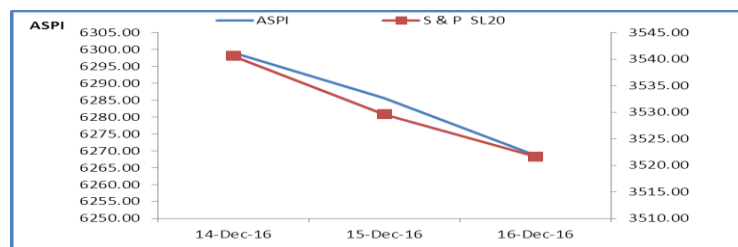
Commodity Markets

- **Oil:** Oil prices edged up on Friday after market sources said Kuwait had told customers it was cutting supplies by more than initially expected from January as part of a coordinated effort by oil producers to drain a global glut. International Brent crude oil futures (LCOc1) were trading at \$54.22 per barrel .
- **Gold:** Gold prices bounced off the previous session's ten-month lows on Friday, but gains were expected to remain limited as the Federal Reserve's decision to raise interest rates this week continued to lend broad support to the U.S. dollar. On the Comex division were up 0.56% at \$1,136.15, off Thursday's 10-month trough of \$1,123.90.

Economic updates -Local & Foreign

- Sri Lanka's central bank has been asked to slash a portfolio of about 2.0 billion US dollars of swaps, by the International Monetary Fund and any new dollars acquired through derivatives will no longer be counted for a forex reserve targets .
- Sri Lanka's economy rebounded from a disappointing second quarter performance to record 4.1% growth in the third quarter (Census and Statistics Department.)
- The Federal Reserve on Wednesday decided to raise its benchmark interest rate by 25 basis points, to a range of 0.50 to 0.75%.

Stock Market – Review



At the end of the week the ASPI has loss 30.40 points to finish at 6268.61.While the S & P SL20 index which tracks the 20 largest capitalized stocks traded on the CSE has also lost 18.95 points and ended at 3521.67.The average turnover for the week ending 16/12/2016 was around Rs.113Mn.