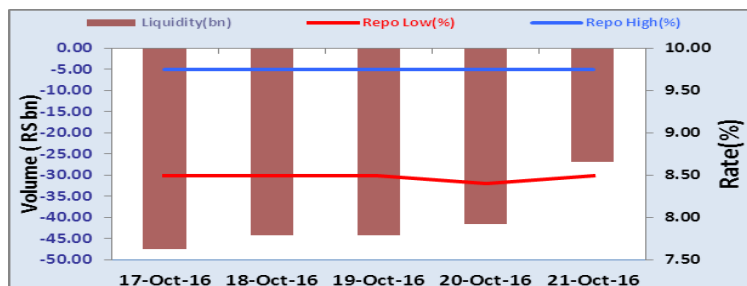


**WEEKLY REVIEW FOR THE WEEK ENDING 21<sup>st</sup> October 2016**

**Money Market: Liquidity shortfall dips end of the week.**

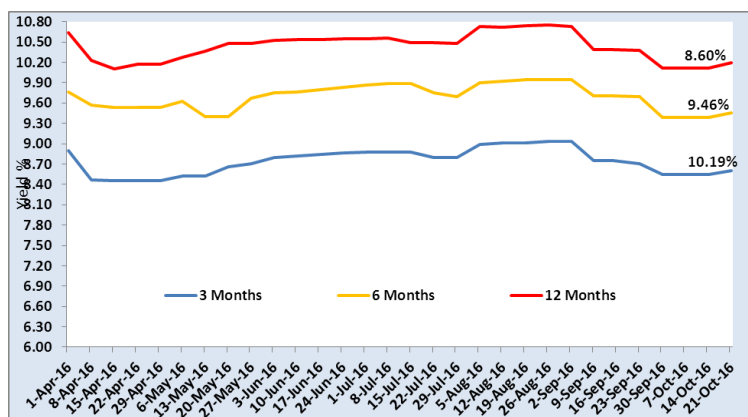
Market recorded a deficit of Rs26.8billion at the end of the week and CBSL was seen injecting Rs23-49billion to the system through OMO auction at 8.49% and 8.50%.Market participants were seen borrowing Rs.2-14bn from CBSL SLF@8.50%.



**Government Securities Market Review**

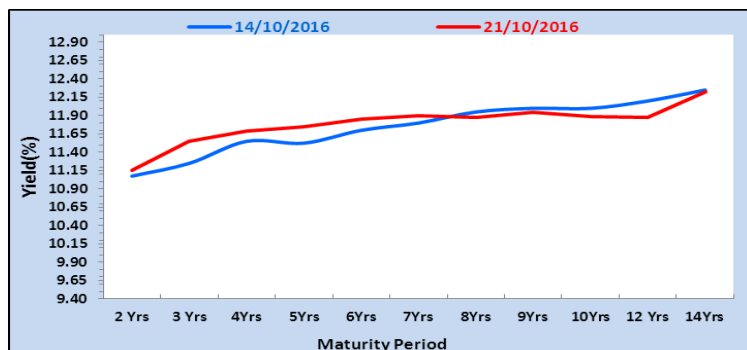
**Treasury bill Market: T/bill yields increase reversing the downward trend.**

Total amount of Rs.4.1billion was accepted from the auction to the offered amount of Rs.24billion.The 3months, 6months and 1year maturity increased by 5,7and 8basis points to 8.60%, 9.46% and 10.19% respectively.



**Bond Market: Foreign investors exiting bonds.**

Market witnessed a 10-30bps increase on short tenor maturities compared with last week on the back of foreign investors selling bonds 15/10/2016, 15/11/2018 and 15/09/2019.The liquid 5 Year was quoted 11.73/78 on Fridays closing.

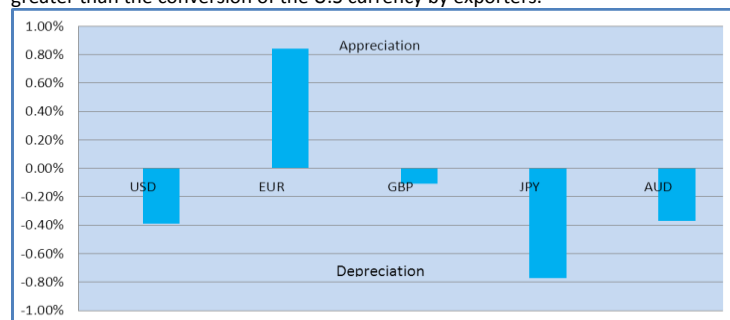


**International Forex Market**

The dollar edged up to fresh seven-month highs against the other majors currencies on Friday, as expectations for a U.S. rate hike before the end of the year continued to boost demand for the greenback. The U.S. dollar index was up 0.16% at a fresh seven-month high of 98.45.

**Local Forex Market**

The rupee depreciated to 147.45/55 as dollar demand from importers was greater than the conversion of the U.S currency by exporters.



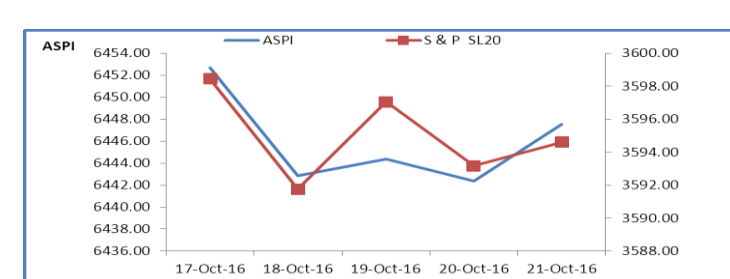
**Commodity Markets**

- **Oil:** Oil edged higher on Friday as Russia reiterated its commitment to joining a producers' output freeze to stem a two-year slide in prices but a strong dollar capped gains. Global benchmark Brent crude futures (LCOc1) were 12 cents higher at \$51.50 a barrel.
- **Gold:** Gold prices slipped lower on Friday, as a stronger U.S. dollar weighed on the precious metal, although the European Central Bank's latest policy decision lent some support. On the Comex division of the New York Mercantile Exchange, gold futures for December delivery were down 0.28% at \$1,264.05.

**Economic updates -Local & Foreign**

- Sri Lanka's government has allocated 1,819 billion rupees to meet the estimated expenditure requirements of next year through the appropriation bill presented to the Parliament. As per the released bill, the total recurrent expenditure is 1,208 billion rupees while total capital expenditure is 610 billion rupees
- The European Union (EU) has nearly doubled its development assistance to Sri Lanka to € 210 million (approximately Rs. 34 billion) for the period until 2020, compared to the amount from 2007-2013.
- Bank of Japan Governor Haruhiko Kuroda said the central bank may push back the timing for hitting its inflation target at this month's rate review, given underlying weakness in price growth.

**Stock Market – Review**



At the end of the week the ASPI has lost 5.16 points to finish at 6447.53.While the S & P SL20 index which tracks the 20 largest capitalized stocks traded on the CSE has also lost 3.85 points and ended at 3594.59.The average turnover for the week ending 21 Oct 2016 was around Rs.53Mn.