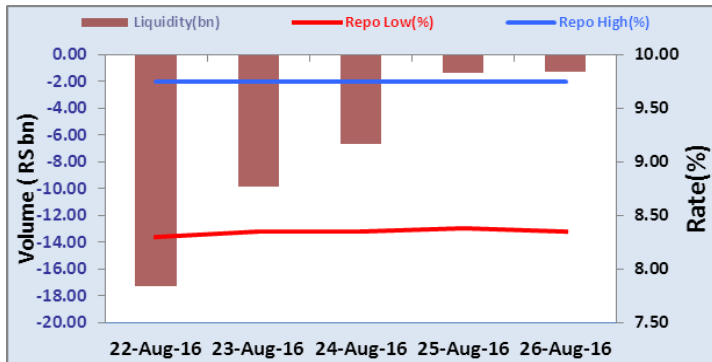


**WEEKLY REVIEW FOR THE WEEK ENDING 26<sup>th</sup> August 2016**

**Money Market: Net liquidity shortfall drops for an eight week low.**

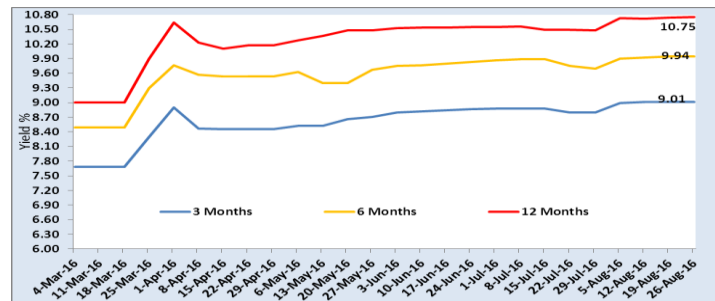
Market liquidity recorded a deficit of Rs.1.2bn at the end of the week. Market participants were seen borrowing Rs.5-16bn from CBSL SLF@8.50%. During the week CBSL injected money Rs.10-15bn to the system@8.39%-8.43%. Overnight repo was exchanged between 8.35%- 8.45% levels.



**Government Securities Market Review**

**Treasury bill Market: Benchmark 1 year maturity increases consecutively for five weeks.**

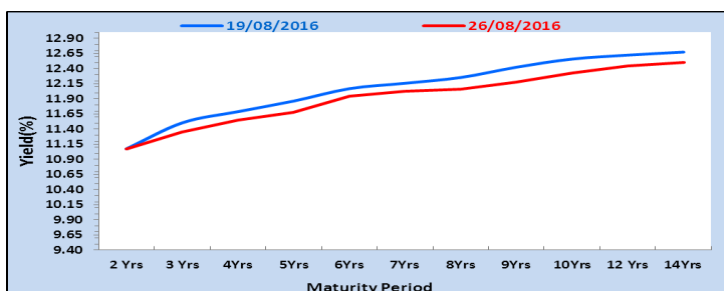
Sum of Rs.23.7billion was accepted from the auction to its total offered amount Rs.27billion. The 3 months and 6 months maturity remained unchanged at 9.01% and 9.94% respectively while the 1 Year bill increased by 1bps to be at 10.75%.



**Bond Market: CBSL successfully raises 49.4b at lower rates through auction.**

Foreign and local participants were seen collecting bonds as most of the buyers expectations were shattered through the auction with weighted averages falling short. 01/03/21, 01/08/2024, 15/03/25, 01/06/26 and 01/08/2026 maturities were traded the most. The liquid 5 Year maturity 01/03/2021 was quoted 11.65/70 at close of trading on Friday.

**Yield curve as at 19.08.2016**

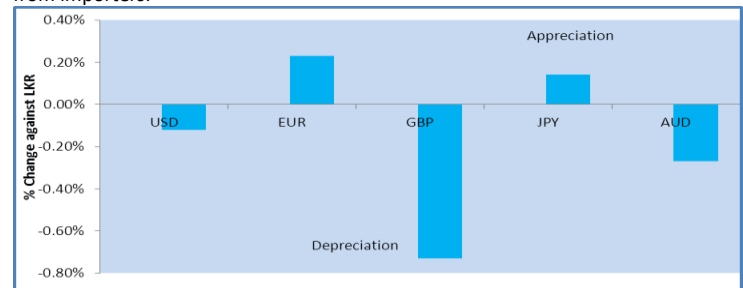


**International Forex Market**

The dollar inched down on Friday to leave it little changed on the week, with investors focused on a speech later the day by the chair of the Federal Reserve that may provide clarity on whether U.S. interest rates will rise this year. The dollar index edged down 0.2 percent to 94.608

**Local Forex Market**

Sri Lankan rupee depreciates to 145.70 due to demand of the greenback from importers.



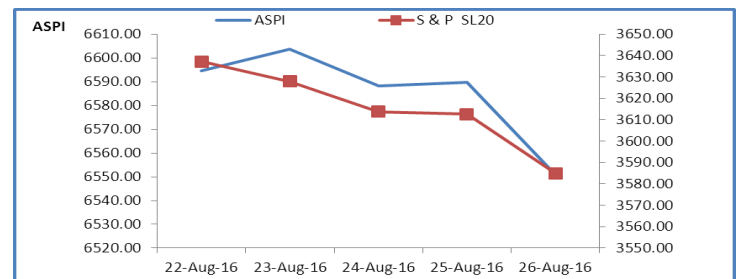
**Commodity Markets**

- Oil:** Oil fell on Friday and was set for its largest weekly decline in a month after the Saudi energy minister cooled expectations that top producers might agree next month to curb crude output levels. Brent crude oil futures (LCOc1) were down 52 cents at \$49.15 per barrel
- Gold:** Gold prices edged higher in European hours on Friday, holding in a familiar range with traders hesitant to make big bets ahead of a highly anticipated speech from Federal Reserve Chair Janet Yellen. Gold for December delivery on the Comex division last up 0.22% to \$1,327.55 a troy ounce

**Economic updates -Local & Foreign**

- Sri Lanka's finance ministry has raised excise duty on diesel by Rs10 a litre to Rs13, a move that will erode profit margins of the listed Lanka Indian Oil Corp and state-run Ceylon Petroleum Corporation.
- Sri Lanka's insurance industry is set to post over 20% growth this year owing to the positive prospects of the economy.
- As central bankers converge on this mountain resort Thursday for an annual conference on monetary policy, a couple of top Federal Reserve officials took the chance to renew a push for interest-rate hikes, citing improvement in employment and inflation.
- Germany's domestic economy is set far for further growth, with robust household and government spending propelling a self-reinforcing cycle of activity, though Britain's Brexit vote has unnerved German companies trading abroad

**Stock Market – Review**



At the end of the week the ASPI has lost 43.68 points to finish at 6,550.91 while the S & P SL20 index which tracks the 20 largest capitalized stocks traded on the CSE also lost 52.21 points and ended at 3,584.93. The average turnover for the week ending 26<sup>th</sup> Aug 2016 was around Rs.101Mn.