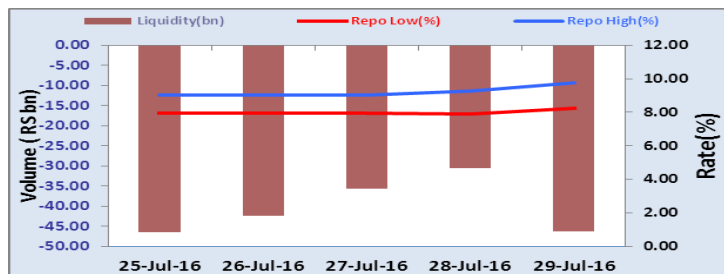


**WEEKLY REVIEW FOR THE WEEK ENDING 29<sup>th</sup> July 2016**

**Money Market: Market recorded a deficit throughout the week.**

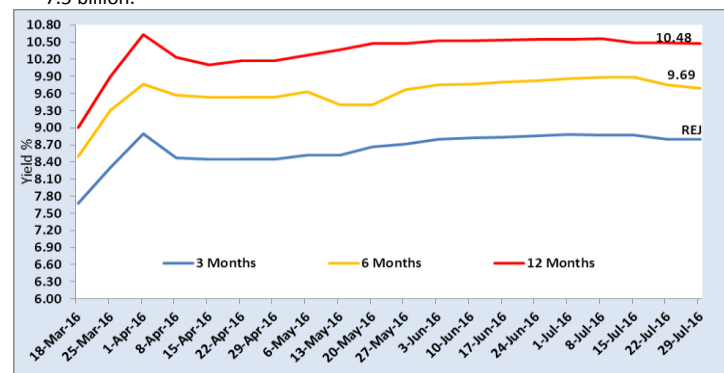
At Fridays close of trading the market liquidity recorded a deficit of 46.2bn. Market participants were seen borrowing 14-18bn from CBSL SLF. During the week CBSL injected money 30-40bn to the system. Overnight repo was exchanged between 7.98% - 8.50% levels.



**Government Securities Market Review**

**Treasury bill Market: Weighted averages decline for the third successive week**

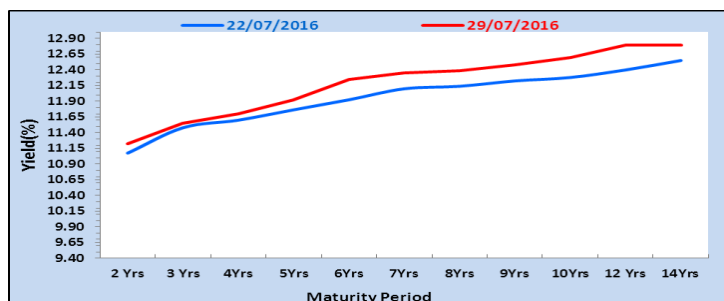
Sum of Rs.20.1billion was accepted from the auction which surpassed its total offered amount Rs.19billion. The 3months and 1yr maturities decreased by 6bps and 1bps to be at the yields of 9.69% and 10.48% respectively. All bids received for the 3 month maturity was rejected. 1 Year bills of Rs.10.5 billion were accepted the most from the auction against the offered amount of Rs. 7.5 billion.



**Bond Market: Yield Curve shifts upwards.**

Following the surprising monetary policy rate hike of 50bps, market participants were seen selling on the longer tenor bonds however after the bond auction yields were seen coming down due to foreign buying coupled with local buying interest. 01/03/21, 01/06/2026 and 01/08/26 maturities were traded most. The liquid 5 year maturity 01/03/2021 was quoted 11.90/95 at close of trading on Friday

**Yield curve as at 29.07.2016**

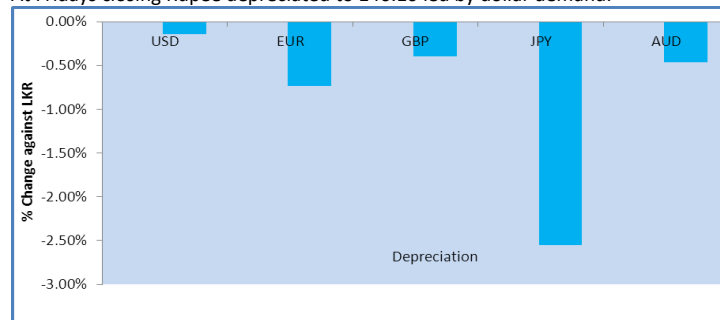


**International Forex Market**

The dollar fell to fresh two-week lows against the other major currencies on Friday, after the Bank of Japan disappointed market expectations earlier in the session and the Federal Reserve's inaction on Wednesday, while investors eyed the release of U.S. economic growth data. The U.S. dollar index was down 0.37% at 96.33.

**Local Forex Market**

At Fridays closing Rupee depreciated to 146.10 led by dollar demand.



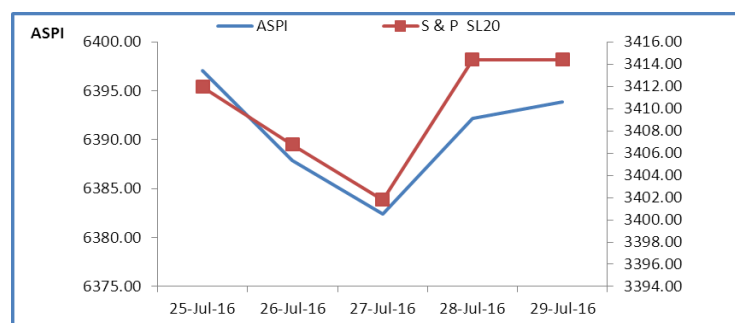
**Commodity Markets**

- **Oil:** Oil languished at its lowest levels since April as concerns of an oversupply held sway. U.S. crude was down 40 cents, or 0.97%, at \$40.74 at 06:45 ET, while Brent crude shed 1.09% to \$42.76.
- **Gold:** Gold prices held steady as the Bank of Japan's stimulus measures disappointed market expectations and as the Federal Reserve's decision to leave its monetary policy unchanged. On the Comex division delivery were little changed at \$1,341.75.

**Economic updates -Local & Foreign**

- The Monetary Board has decided to increase the main policy interest rates of the Central Bank, the Standing Deposit Facility Rate and the Standing Lending Facility Rate, by 50 basis points each to 7.00 percent and 8.50 percent respectively.
- Consumer prices in the Sri Lankan capital Colombo rose by 5.5 percent in July from a year ago, decelerating from the previous month's 32-month high of 6.0 percent, the Census and Statistics Department
- The Bank of Japan expanded stimulus on Friday by doubling purchases of exchange-traded funds (ETF), yielding to pressure from the government and financial markets for bolder action, but disappointing investors who had set their hearts on more audacious measures

**Stock Market – Review**



At the end of the week the ASPI has loss 3.22 points to finish at 6,393 while the S & P SL20 index which tracks the 20 largest capitalized stocks traded on the CSE also gain 2.43 points and ended at 3,414.39. The average turnover for the week ending 29<sup>th</sup> July 2016 was around Rs.47Mn.