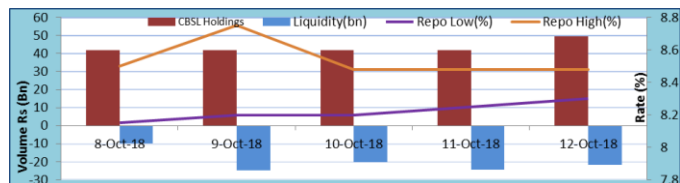


Weekly review for the week ending 12 October 2018

Money Market: Market deficit continues during the week.

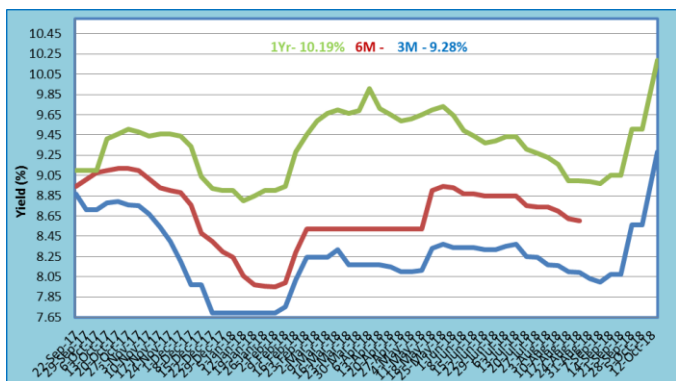
Market recorded a deficit of Rs.21.5billion at the end of the week and overnight repo was exchanged between 8.15%-8.50 % levels in the market. Central bank was seen injecting Rs.27.8billion, Rs.25billion through O/n and term repo auctions and further Rs.97.5billion by SLF @8.50% to the market while absorbing Rs38.1billion by SDF @7.25%.



Government Securities Market Review

Treasury bill Market: Benchmark 1Year bill jumps the physiological 10% yield.

Total amount offered and accepted was Rs.11billion. The average yield of 3M bills recorded the highest increase of 72basis points to 8.28% while 6M bills were not offered at auction. The benchmark 1 year bill weighted average increased by 68basis points to 10.19% and Rs.7 billion was accepted at auction.



Bond Market: Yields increase on the back of bond auction.

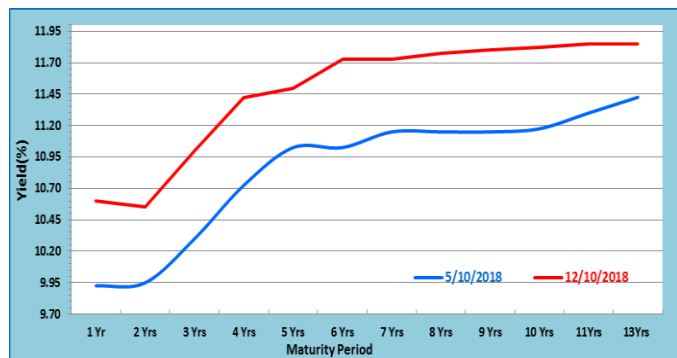
Yields increased 50-70 basis points during the week on the back of selling pressure as most market participants opted to stay on the side line in hope of getting a clear direction from the bond auction.

Results of the bond auction which was held on 11/10/2018 are as follows: -

15/07/2023 – Rec and Acc 20billion @ W.A. of 11.69%

15/01/2033 – Rec and Acc 20billion @ W.A. of 11.90%

The mandatory phase 3 was unlocked for the second time at auction as 15/07/2023 maturity bids fell short of the offered amount at phase 1 and 2

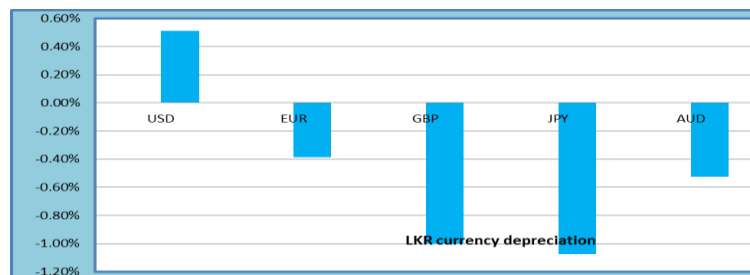


International Forex Market

The dollar crept up on Friday, reflecting investor confidence in the U.S. economy, despite criticism by President Donald Trump of the Federal Reserve and a sell-off in U.S. equities. The dollar index (DXY), a gauge of its value against six major currencies, traded flat at 95 on Friday.

Local Forex Market

The rupee bounced back from a record low of 171.20/50 per dollar during the week to 169.40/80 and when compared to last week closing of 170.45/50 the rupee has appreciated this week.



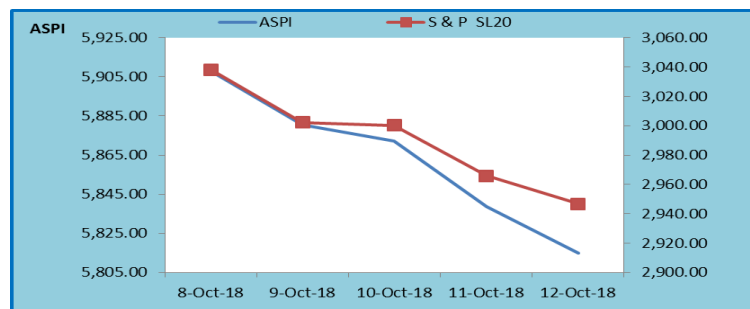
Commodity Markets

- **Oil:** Crude prices were lower on Friday compared to last week. West Texas Crude oil futures for November were at \$71.44 a barrel. Meanwhile Brent crude futures, the benchmark for oil prices outside the U.S, were at \$80.61.
- **Gold:** Gold prices slipped on Friday but hovered near 10-week high after gaining 3% in the previous session, its biggest one-day gain in more than two years. December Gold Futures traded at \$1,224.30.

Economic updates – Local & Foreign.

- Sri Lanka widens bank dollar trading positions.
- Sri Lanka hikes fuel prices, petrol Rs155 a liter.
- Govt with maturing international bonds face refinancing risks: Moody's.
- IMF cuts global growth forecast to 3.7-pct for 2018, 2019.
- Sri Lanka to begin Panda, Samurai bonds sale process this month.

Stock Market – Review



At the end of the week the ASPI has lost 93.03 points to finish at 5,815.03 while the S & P SL20 index which tracks the 20 largest capitalized stocks traded on the CSE has also lost 91.49 points and ended at 2,946.63. The average turnover for the week ending 12/10/2018 was around Rs.311Million.