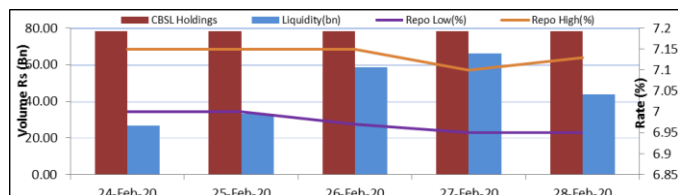


Weekly review for the week ending 28 February 2020

Money Market: Overnight liquidity increases end of the week.

Market recorded a surplus of Rs.43.9billion at the end of the week and overnight repo was exchanged between 6.95%-7.25% levels in the market. Central bank was seen absorbing Rs37.9, Rs.19billion by o/n repo and term repo auction further Rs.175.1billion by SDF facility from the market. CBSL was seen lending Rs3.2billion by SLF during the week.



Government Securities Market Review

Treasury bill Market: Yields decrease for the first time in three weeks.

Total amount offered and accepted at auction was Rs.27billion. Bids received for 3M bills were accepted 2 basis points lower at 7.42% whilst 6M bills weighted average remained unchanged at 8.06%. The benchmark 1 year bill decreased by 2 basis points to 8.58% and bids amounting Rs16.7billion was accepted.

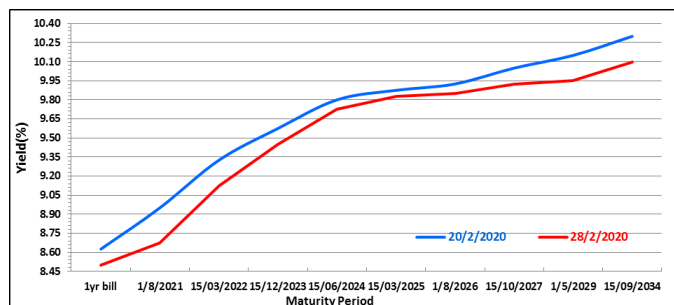


Bond Market: Bullish sentiment drives yields down.

During the week yields dropped by 10-25 basis points on the short end of the yield curve and 5-15 basis points on the mid to long end of the yield curve due to traders aggressively buying bonds as overnight liquidity surplus increased backed by primary T Bill weighted averages falling at auction.

The liquid maturities 01/09/2023, 15/06/2024, 15/09/2024, 15/10/2027 and 15/09/2034 saw yields decreasing to 9.35/45%, 9.70/75%, 9.70/75%, 9.90/95% and 9.95/10.20% on Friday compared to last week's closing of 9.50/65%, 9.75/85%, 9.75/85%, 9.95/10.05% and 10.00/35% respectively.

Despite positive sentiment in the secondary market foreign holding in rupee bonds recorded an outflow for the week ending 26 February 2020 for the fifth consecutive week of Rs. 11.4billion. Total outflow for the year is Rs13.4billion.



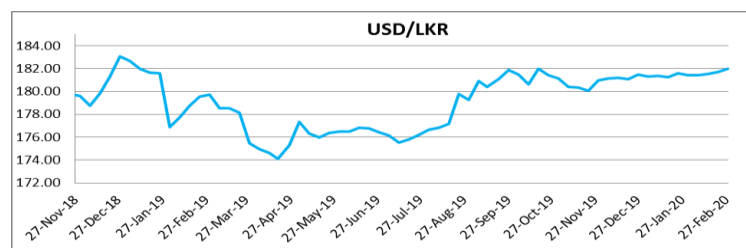
International Forex Market

Prices of the Japanese yen surged on Friday in Asia as traders rushed to safe-haven assets following an increase in new coronavirus cases outside of China.

The dollar was higher against high-yielding currencies but lower against havens in early trade in Europe on Friday, as the week-long flight to safety in global markets continued unabated.

Local Forex Market

The rupee depreciated during the week to 181.90/182.10 compared to last week's closing of 181.60/75 against the greenback due to demand by banks and foreign investors exiting from government securities and stocks.



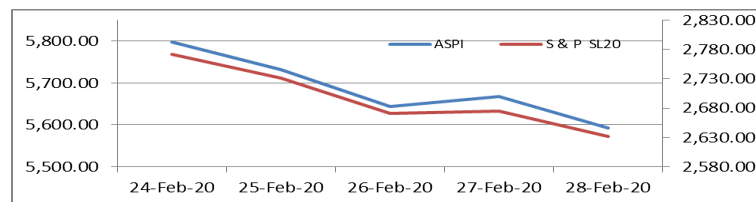
Commodity Markets

- Oil:** Oil prices slumped to their lowest in more than a year as the spread of the coronavirus stokes fears of slowing global demand. Brent crude contract for May was down at \$50.31 a barrel by 0745 GMT, a 14-month low. West Texas Intermediate (WTI) crude futures (CLC1) fell to \$45.70 per barrel.
- Gold:** Gold prices slipped for the second day in a row on Friday in Asia despite a continued meltdown in global stocks. Gold Futures for April delivery slipped 0.1% to \$1,640.70 by 12:40 AM ET (04:40 GMT).

Economic updates – Local and Foreign.

- CBSL to introduce cost-reflective benchmark interest rate instead of SLIBOR.
- Sri Lanka vegetable prices fall 30-40% in February, but still higher than last year.
- Feb Consumer Prices rise 6.2% Y/y, A/avg 4.6%.
- Fed seen slashing rates amid virus threat, low inflation.
- Investors flee stocks for bonds on rising recession fears: BoFA.

Stock Market – Review



At the end of the week the ASPI has lost 204.38 points to finish at 5,592.92 while the S & P SL20 index which tracks the 20 largest capitalized stocks traded on the CSE has also gained 139.31 points and ended at 2,631.99. The average turnover for the week ending 28.02.2020 was around Rs.524million.