

ArpicoAtaraxia Asset Management (Pvt) Ltd.

Fixed Income Newsletter: 23 February 2017



This Week

- Inflation Increase and Treasuries Rise
- Sri Lanka to make govt securities Euroclearble
- Govt approves USD 75mn loan from WB for financial sector
- IFC invests Rs510mn in Sanasa Development Bank
- Sri Lanka Central Bank launches data library for public use

Arpico Ataraxia S&P SL20 Index Fund

Date	Bid Price	Offer Price
22 Feb 17	5.7814	5.9191

ArpicoAtaraxia Cash Management Trust Fund

Date	NAV Price	Year to date
22 Feb 17	16.0878	0.58%

SLIBOR (%) as at 23.02.2017

07 Days	9.35
30 Days	10.45
91 Days	10.86

LIBOR

30 Days	0.78
91 Days	1.04
182 Days	1.34
365 Days	1.74

23 February 2017

Inflation (CCPI) January 2017 YOY 5.5%

T-Bill Auction
As at 21 Feb 2017

	This Week	Last Week
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91 Days	9.32	9.22
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182 Days	10.19	10.12
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365 Days	10.58	10.55
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AWPLR (%) AWDR (%)

*AWPLR – Average Weighted Prime Lending Rate

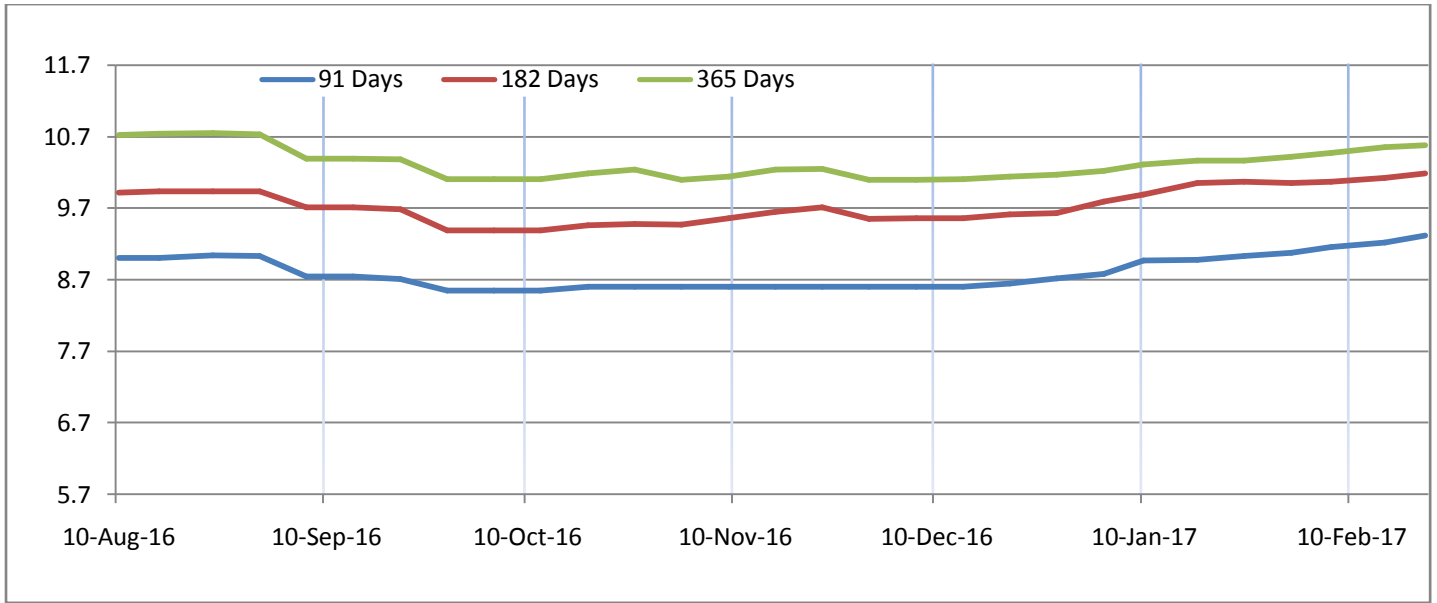
*AWDR – Average weighted Deposit Rate

	Date	AWPLR (%)	AWDR (%)
Weekly	17 Feb 2017	11.61	-
	09 Feb 2017	11.54	-
Monthly	Jan 2017	11.73	8.42
	Dec 2016	11.73	8.17

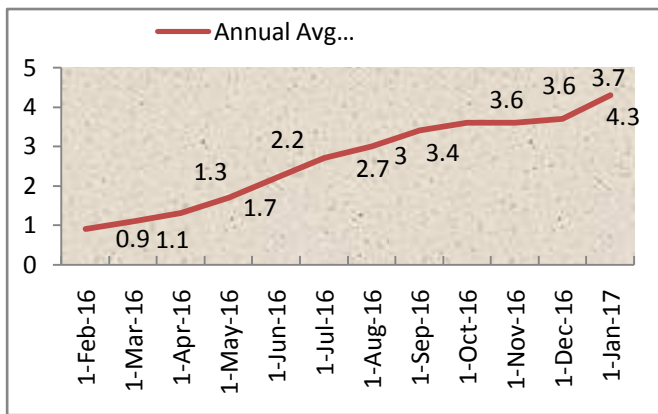
International T-Bill Rates

	2 Year Yield	5 Year Yield	10 Year Yield
USA	1.21%	1.90%	2.41%
UK	0.09%	0.40%	1.19%
Australia	1.81%	2.29%	2.78%

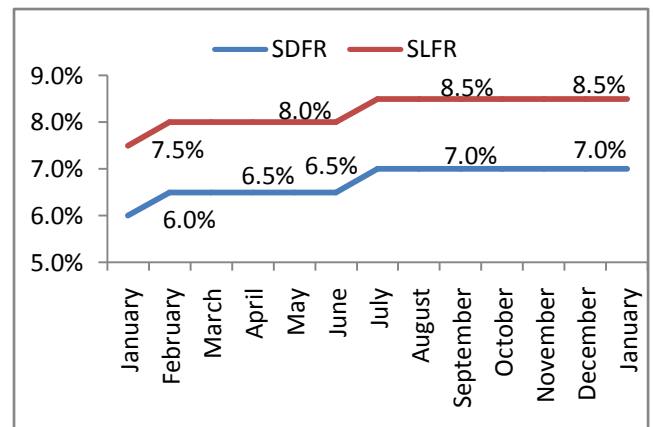
Treasury bill Yields



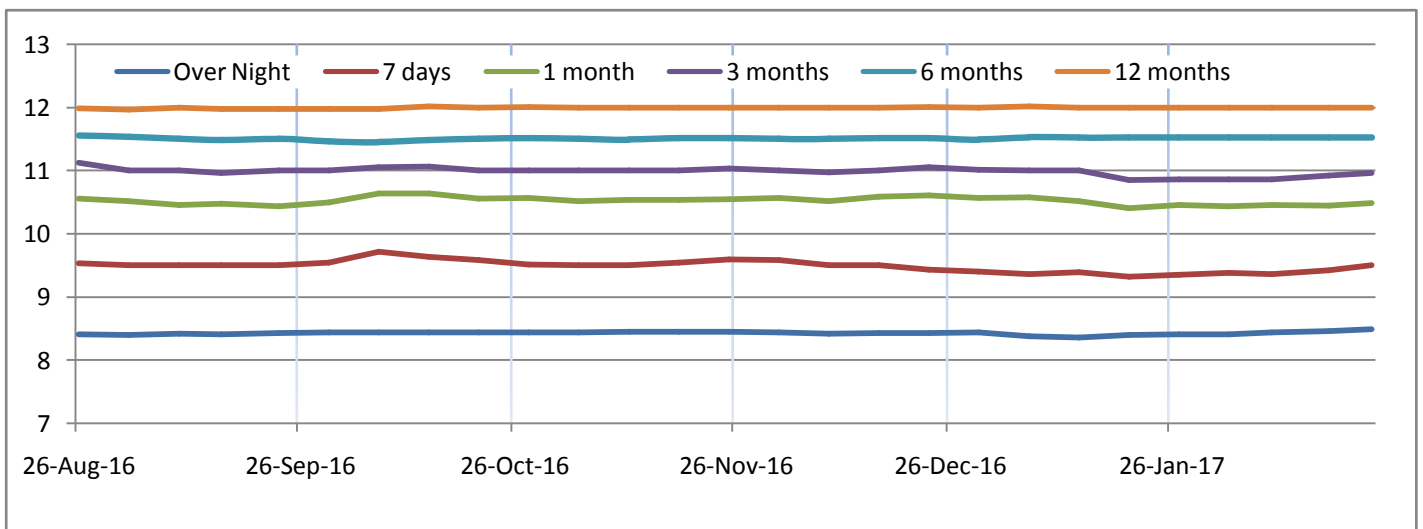
Sri Lanka Inflation Movements



Sri Lanka Policy Rates



Sri Lanka Inter Bank Offer Rates (SLIBOR)



Inflation Increase and Treasuries Rise

Inflation measured by the National Consumer Price Index (NCPI) increased to 6.5% (YOY) in January 2017 from 4.2% (YOY) in December 2016 with both prices in the food and non food category categories increasing. The monthly change in the index points of NCPI increased to 119.3 in January 2017 from 118 in December 2016 and also annual average of NCPI also rose from 4% in December 2016 to 4.6% in January 2017.

Food Category saw the prices of items such as rice, coconuts, some fruits, coconut oil, green chilies, sugar and fresh fish and in the non food category Transport; Miscellaneous Goods and Services; Restaurants and Hotels; Recreation and Culture; Education; Clothing and Footwear; and Furnishing, Household Equipment and Routine Household Maintenance increased. While prices in the Health; and Communication Housing remained unchanged but prices of Water, Electricity, Gas and Other Fuels (Kerosene oil); and Alcoholic Beverages and Tobacco decreased during January 2017.

The core inflation also increased

The NCPI core inflation which measures the underlying inflation also increased from 6.7% in December 2016 to 7.1% in January 2017.

At the Treasury Bill Auction held on 21st February 2017 saw the 3 months, 6 months and 1 year bills move by 10, 7 and 3 basis points to 9.32%, 10.19% and 10.58% respectively. The auction received total bids amounting to LKR 36,906 mn but CBSL accepted only LKR 7,860 mn, thus the auction was oversubscribed by LKR 29,046 mn

Sri Lanka to make Govt securities Euroclearable

Sri Lanka's cabinet nod has been received to sign a MOU with Euroclear Bank making all existing and future government security issuances Euroclearable via 'International Link' (i-Link). In order to facilitate the Euroclearability of government securities, the cabinet has also approved several other prerequisites. After establishing the local legal framework, the new facility will make the Sri Lankan Rupee a full settlement currency in the books of Euroclear Bank. It will exempt government securities related secondary market transactions involving foreign investors from all taxes.

Govt approves USD 75mn loan from WB for financial sector

Sri Lanka will obtain a credit of Special Drawing Rights equivalent to US 75 million dollars from the International Development Agency of the World Bank for improvement of the financial sector. The project aims to implement several essential reforms identified for the development of the field within 2017-2022, the statement on approved cabinet decisions said. It will be implemented under three aspects of financial assistance for reforms, strengthening capacity of regulatory agencies, and development of infrastructure.

IFC invests Rs510mn in Sanasa Development Bank

Sri Lanka's Sanasa Development Bank by way of a private placement has received 510.65 million rupees from International Finance Corporation (IFC) for the proposed fund raising of the Bank. The bank said that the subscription agreement with IFC for the issue of 3,647,500 ordinary voting shares at 140 rupees per share amounting to a total investment of 510.65 million rupees was executed on February 17, 2017. Sanasa Development Bank further said in a stock exchange filing that the investment by IFC does not require approval under the monetary board.

Sri Lanka Central Bank launches data library for public use

The Central Bank of Sri Lanka (CBSL) has launched a data library for the general public to use via the CBSL external website. "Data Library of CBSL is a comprehensive database consisting of time series data on a variety of topics spanning Real, Monetary, Fiscal, External and Financial sectors," a statement said. It facilitates numerous data requirements by enabling the creation of own queries, generating tables, downloading and saving them for further reference.