

Market Views

Domestic

- ♣ CBSL relax its monetary policy further ... [more](#)
- ♣ The trade deficit contracted for the third consecutive month in 2009 ... [more](#)
- ♣ China and Japan donate relief aid ... [more](#)

International

- ♣ Singapore exports down 19.2% in April: Govt. ... [more](#)
- ♣ Crisis-battered Russian industry slows 16.9% ... [more](#)
- ♣ Key US economic index up first time in 7 months ... [more](#)

Entrust Securities Ltd

281, R.A de Mel Mawatha,
Colombo 03.

Tel : 011 256 4933
Fax : 011 471 5769
e-mail : securities@entrust.lk
Web : www.entrust.lk

Primary Dealer Appointed by
Central Bank of Sri Lanka.

Dealing Department:

Sanjeewa Dayaratne 071 234 5903
Mahesh Adikari 071 680 5606

Marketing Department:

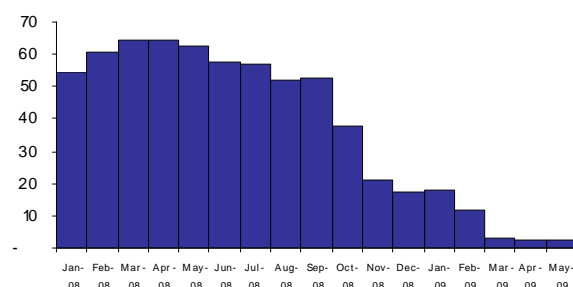
Srilal Perera 071 226 7068
Chanaka Gamage 071 234 5904

Data Sheet

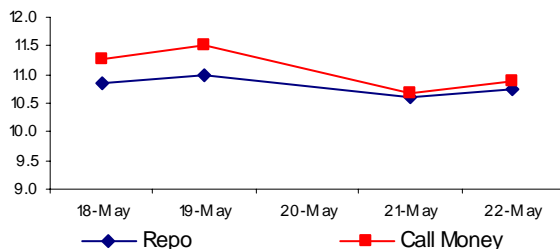
Treasury Bill Auction

Maturity	Amount Offered (Rs.Mn)	Amount Accepted (Rs.Mn)	Weighted Average Yield Rates (WAYR)	
			07-May-09	Last Week
91 days	2,000	3,000	12.05	12.20
182 days	3,000	2,485	13.15	13.39
364 days	4,500	5,015	14.41	14.73
Total	9,500	9,500		

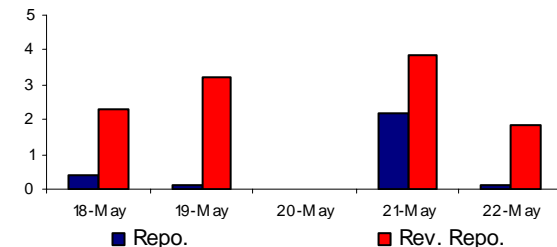
T Bond Holdings- Foreigners (Rs.Bn)



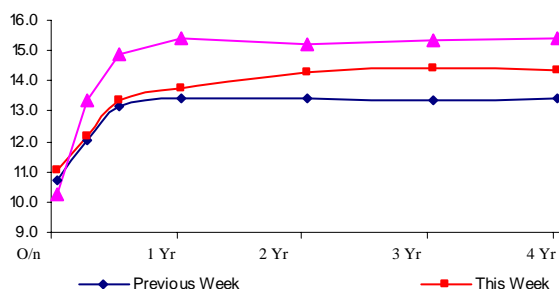
Overnight Interest Rates



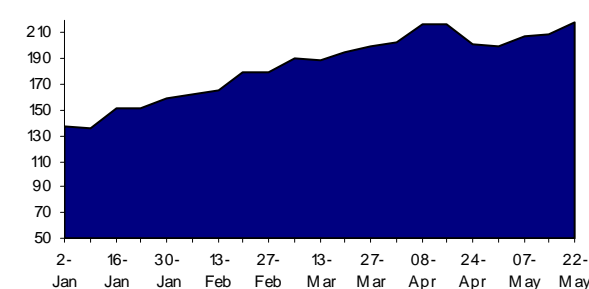
Repo & Rev. Repo Volumes (Rs. Bn)



Government Securities Yield Curve



CBSL T bill Holdings (Rs. Bn)



Foreign Currency Exchange Rates

Date	US \$	Euro	Sterling £	Yen
18-May-09	117.85	159.10	178.95	1.239
19-May-09	115.40	155.55	175.75	1.208
21-May-09	115.20	157.60	179.25	1.205
22-May-09	115.10	158.85	181.30	1.216

Inflation-CCPI

Month	M to M	P to P	Annual Average
Jan-09	-0.1	10.7	21.6
Feb-09	-0.1	7.6	20.3
Mar-09	-0.4	5.3	18.6
Apr-09	-0.5	2.9	16.7

CBSL relax its monetary policy further

In view of the above discussed developments and the need to further extend its support for economic activity, by taking steps to augment credit availability at economical rates of interest, the Monetary Board has decided to relax its monetary policy stance further. Accordingly, it has been decided to

- (1) remove the Penal rate of interest charged on the Central Bank's reverse repurchase transactions,
- (2) reduce the Reverse Repurchase rate by 25 basis points to 11.50 per cent
- (3) remove restrictions on the number of times that a Participating Institution can access the reverse repurchase standing facility of the Central Bank at the Reverse Repurchase rate, and
- (4) remove restrictions on the maximum amount that a Participating Institution can place with the Central Bank under the repurchase standing facility. These policy measures will become effective immediately. With the removal of the restrictions, the Central Bank will conduct its monetary policy operations to maintain inter-bank interest rates stable within the corridor formed by the Repurchase and Reverse Repurchase rates.

(CBSL, 21-May-2009)

External Sector Performance – March 2009

The trade deficit contracted for the third consecutive month in March 2009 as imports continued to decelerate faster than exports. It narrowed by 17.6 per cent in March 2009, year-on-year, to record US dollars 383 million. The cumulative trade deficit decreased by 54.0 per cent to US dollars 645 million in the first quarter of 2009 from US dollars 1,401 million in the corresponding period in 2008. Private remittances, which recorded the highest ever value of US dollars 278 million in March 2009, led remittances to reach US dollars 774 million during the first quarter, compared to US dollars 787 million in the corresponding period of 2008. As a result, remittances during the first quarter were US dollars 129 million (about 20 per cent) in excess of the trade deficit.

Earnings from exports decreased by 7.8 per cent in March 2009 to US dollars 627 million, year-on-year, led by the industrial exports. However, despite the adverse impact of the global economic crisis, exports of textiles and garments, which accounted for about 50 per cent of Sri Lanka's exports, recorded an increase for the third consecutive month. Textiles and garments exports grew by 6.0 per cent in March 2009 to US dollars 310 million, largely due to the measures taken by the government and the industry to adapt to the global economic circumstances. While textiles and garments exports to the European Union grew by 18.4 per cent in March 2009, those to the US declined by 4.5 per cent. Exports of the food, beverages and tobacco also increased while other subcategories, including rubber based products, depicted year-on-year declines during this time. Agricultural exports, which declined continuously over the past four months, grew marginally to record year-on-year earnings of US dollars 154 million in March 2009, led by the tea and coconut exports. The volume of exports of tea, rubber and coconut has increased in March 2009 compared to the corresponding period of the previous year, and tea prices increased in March from the previous month. Prices at the Colombo tea auction continue to hold its position as the highest among the major auction centers of the world. The cumulative export earnings declined by 12.6 per cent during the first quarter from US dollars 1,878 million in 2008 to US dollars 1,642 million in 2009.

In the meantime, expenditure on imports declined by a comparatively higher rate of 11.8 per cent to US dollars 1,009 million in March 2009 in view of the reduced demand for imports of consumer and intermediate goods. Consumer goods declined by 24.3 per cent to US dollars 209 million in March 2009. Among the major food commodity imports, expenditure on rice, wheat and milk has decreased in March 2009, while expenditure on sugar imports has increased during this period, reflecting the 22.4 per cent increase in the average import price. The international prices of sugar has increased in recent times in view of the tightening world wide sugar supplies amid lower production in some major sugar producing countries. Amongst the non-food consumer goods imports, expenditure on motor vehicles declined by 65 per cent and spending on electrical household equipment also declined in March 2009. Expenditure on intermediate goods declined by 23.8 per cent in March 2009 to US dollars 475 million, led by petroleum imports, which accounted for nearly 40 per cent of this, as crude oil prices continued to hover around US dollars 47 per barrel.

(CBSL, 18-May-2009)

China and Japan donates relief aid

In response to the requests made by Sri Lanka the Governments of China and Japan has donated a large aid pack worth Rs. 360 million and Rs. 50 respectively as humanitarian aid.

The received donations will be swiftly sent to welfare camps in North to be distributed among the Internally Displaced Persons who are temporarily housed at Government maintained centers.

The Chinese aid consist 6,300 tents followed by Japan with 560 tents, 10,000 sleeping mats, 4,000 plastic sheets, 30,000 Jerry cans and 1,000 mosquitoes nets.

With the complete liberation of the entire East and Northern regions from terror grip, the Government has expedited the relief activities in the region with several infrastructure projects to commence shortly.

(www.News.lk)

Singapore exports down 19.2% in April: govt

SINGAPORE (AFP) – Singapore's main exports fell 19.2 percent year on year in April, government data released Monday showed, as the city-state struggles to find a way out of its worst recession in decades.

Shipments of electronics extended their sharp fall from March and petrochemicals accelerated their decline to weigh down a strong showing by pharmaceuticals, the figures showed.

Non-oil domestic exports (NODX) totalled 11.32 billion Singapore dollars (7.7 billion US) in April, the trade development agency International Enterprise Singapore (IE Singapore) said.

NODX was down 17.3 percent in March and 23.8 percent in February. Global demand for Asian exports, including goods from Singapore, has been dwindling as the economic crisis forces consumers to tighten their belts.

(AFP, 18-May-2009)

Crisis-battered Russian industry slows 16.9%

MOSCOW (AFP) – Russian industrial production plummeted 16.9 percent in the year to April, the government said Monday, reflecting the impact of the global economic crisis on the country's once-booming economy.

The data emerged in the state statistics agency's latest update of Russian economic indicators. Industrial production dropped 8.1 percent from March to April, according to the same report.

April was the sixth consecutive month in which industrial production fell, and the drop of 16.9 percent was worse than a forecast by analysts at UralSib investment bank in Moscow, who predicted a drop of 14.1 percent.

Factories have slashed production as Russia's once-booming economy has been hit hard by the crisis, despite initial claims by government officials that the country would be protected from global turmoil.

Among the hardest-hit sectors are automobile manufacturing, where production plunged 55.9 percent in the year to April, and construction, reflected in a 34.7-percent fall in cement production.

Production of natural gas -- one of Russia's main exports -- dropped 24.3 percent, the statistics agency said, as customers in Europe have scaled back their consumption amid the global crisis.

Russia's economy has been hurt by falling prices for oil, gas and other commodities and many of its billionaire industrialists have found themselves unable to pay back massive debts they took on during the boom years.

(AFP, 18-May-2009)

Key US economic index up first time in 7 months

WASHINGTON (AFP) – A key US economic index rose in April for the first time in seven months, suggesting the world's biggest economy is poised for modest growth later this year, the Conference Board said Thursday.

The index of leading economic indicators -- forecasting conditions in the next three to six months -- increased 1.0 percent in April, following a 0.2 percent decline in March and a 0.5 percent decline in February.

Most analysts had expected a 0.8 percent increase.

"The leading indicators suggest that while the recession will continue in the near term, the declines will be less intense," said Ken Goldstein, an economist at The Conference Board, a business research firm.

"The question is how long before declines in activity give way to small increases. If the indicators continue on the current track, that point might be reached in the second half of the year," he said.

The positive contributors to the index -- beginning with the largest -- were stock prices, interest rate spreads, consumer expectations, initial claims for unemployment insurance, manufacturing hours, supplier deliveries and manufacturers' new orders.

The one percent rise in the index in April is the biggest gain since November 2005, said Ian Shepherdson, chief US economist with High Frequency Economics.

(AFP, 21-May-2009)