

## TREASURY COMMENTARY – 11 JANUARY 2019

### LOCAL MARKET

#### **MONEY**

Overnight call-money traded at 9.00% on Thursday. Net market liquidity with the Central Bank was a Deficit of Rs. 65.93 Bn on Thursday from a Deficit of Rs 78.58 Bn on Wednesday.

#### **USD/LKR MARKET VOLUMES**

VOLUME (USD Mn)

AS AT 10.01.2019

Cash	20.65
Tom	8.75
Spot	30.88
Forwards	44.20

#### **MARKET LEVELS**

Cash	181.60/182.60
Spot	181.65/182.65

### INTERNATIONAL MARKET

#### **FOREX**

The dollar traded lower against its peers on Friday, on rising expectations that the U.S. Federal Reserve may pause monetary tightening if the economy slows this year. Fed Chairman Jerome Powell reiterated on Thursday that the U.S. central bank has the ability to be patient on monetary policy given that inflation remains stable. Markets are now pricing in no further rate hikes by the Fed this year. Fed Vice Chair Richard Clarida also struck a dovish tone, further cementing the central bank's willingness to remain patient on the issue of raising rates. Sentiment was cautious in early Asian trade on a lack of concrete details from the United States and China on any progress made in their trade dispute after a three-day meeting in Beijing. The two sides are more than halfway through a 90-day truce agreed by U.S. President Donald Trump and his Chinese counterpart Xi Jinping.

The dollar index was marginally lower at 95.5 on Friday. The index has fallen around 2.2 percent since mid-December on expectations that a slowdown in growth, both in the United States as well as globally, will restrict the Fed from raising rates in 2019. In 2018, the greenback outperformed its peers, gaining 4.3 percent as the Fed hiked rates four times on the back of a strong domestic economy, falling unemployment and rising wage pressures. But now traders see limited upside in the greenback.

The safe-haven yen strengthened 0.1 percent to 108.32 per dollar, reflecting investors' cautious wait-and-see mode. The euro gained 0.1 percent at \$1.1502, after losing 0.4 percent of its value in the previous session. The single currency has been pressured by weaker-than-expected economic data, especially from France and Germany. Sterling traded marginally firmer, fetching \$1.2752 in early Asian trade with traders focused on the progress of Brexit.

#### **COMMODITIES**

Gold prices edged up on Friday as the dollar softened a touch on expectations the U.S. central bank will keep interest rates steady if the economy slows this year, while the Sino-U.S. trade spat also remained in focus. Oil prices slipped on Friday as concerns over economic growth were rekindled after talks fell short of offering concrete steps to end the Sino-U.S. trade conflict, although OPEC-led production cuts bolstered sentiment in crude markets.

## ECONOMIC INDICATORS

### T/BILL RATES % (W. Av. Last Auction)

<b>3 Months</b>	Not Offered
<b>6 Months</b>	9.94
<b>12 Months</b>	10.85

### T/BOND RATES % (W. Av. Market rates)

<b>2 Year</b>	10.90
<b>3 Year</b>	11.20
<b>4 Year</b>	11.30
<b>5 Year</b>	11.45
<b>6 Year</b>	11.55
<b>7 Year</b>	11.55
<b>8 Year</b>	11.60

### LIBOR

	USD	EUR	JPY	GBP
<b>1 Month</b>	2.51	(0.42)	(0.10)	0.73
<b>3 Months</b>	2.79	(0.33)	(0.07)	0.90
<b>6 Months</b>	2.86	(0.29)	0.01	1.03
<b>12 Months</b>	3.03	(0.17)	0.10	1.18

### SLIBOR (10/01/2019)

<b>Overnight</b>	9.00%
<b>1 Week</b>	9.26%
<b>1 Month</b>	10.07%
<b>3 Months</b>	10.65%
<b>6 Months</b>	11.17%

### AWPLR %

<b>Week ending 04/01</b>	11.92
<b>Week ago</b>	12.09
<b>Year ago</b>	11.55

### AWDR %

<b>December 2018</b>	8.81
<b>November 2018</b>	8.77
<b>Year ago</b>	9.07

### INFLATION (%)

		October 2018	November 2018	December 2018	Year ago
<b>NCPI</b>	<b>(YoY)</b>	0.10	1.00	-	8.4
<b>CCPI</b>	<b>(YoY)</b>	-	3.3	2.8	7.1
	<b>(12M W.Av)</b>	-	4.6	4.3	6.6

### TREASURY DIVISION

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