

## TREASURY COMMENTARY – 16 JANUARY 2019

### LOCAL MARKET

#### **MONEY**

Overnight call-money traded at 8.95- 9.00% on Monday. Net market liquidity with the Central Bank was a Deficit of Rs. 76.78 Bn on Monday from a Deficit of Rs 72.89 Bn on Friday.

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

VOLUME (USD Mn)

AS AT 14.01.2019

Cash	10.75
Tom	3.50
Spot	16.21
Forwards	17.30

#### **MARKET LEVELS**

Cash	181.90/182.90
Spot	181.95/182.95

### INTERNATIONAL MARKET

#### **FOREX**

The pound steadied early on Wednesday following a volatile overnight session after British lawmakers defeated Prime Minister Theresa May's Brexit divorce deal by a crushing margin.

The Parliament on Tuesday voted 432-202 against May's deal, the worst parliamentary defeat for a government in recent British history. Sterling had sunk more than 1 percent against the dollar earlier on Tuesday but rallied back after the parliamentary vote, with the sizable defeat for May seen forcing Britain to pursue different options. However, there are also worries the outcome might trigger political upheaval that could lead to a disorderly exit from the European Union.

The pound traded a shade higher at \$1.2864 after gyrating between a low of \$1.2670 and a high of \$1.2917 on the previous session. The date set in law for Brexit is March 29, but with the clock ticking down quickly an extension of the deadline now appears more likely.

Against the Euro, the pound was little changed at 88.65 pence after gaining about 0.4 percent overnight. The euro was steady at \$1.1411 following a loss of 0.5 % the previous day. The dollar was flat at 108.655 yen after advancing 0.5 percent against its Japanese peer overnight amid a further ebb in risk aversion with U.S. stocks posting strong gains. The Swiss franc, which tends to gain in times of political tensions and market turmoil along with the yen, also sagged. The franc lost 0.7% against the U.S. currency and last held steady at 0.9878 franc per dollar. The Australian dollar was slightly lower at \$0.7199 after dipping 0.2 % on Tuesday.

#### **COMMODITIES**

Gold held steady on Wednesday, supported by uncertainty around Brexit, after lawmakers voted down British Prime Minister Theresa May's deal to leave the European Union, and hopes for a rate hike pause by the U.S. Federal Reserve. Fed policymakers from across the spectrum of views agreed the central bank should pause further rate hikes until it is clear how much the U.S. economy will be held back by larger risks like slowing growth in China and narrower ones like the ongoing budget stalemate in Washington. Gold tends to gain on expectations of lower interest rates, as they reduce the opportunity cost of holding non-yielding bullion. Lower interest rates also tend to weigh on U.S. yields and the dollar, in which gold is priced. U.S. oil prices inched lower on Wednesday after gains of more 3 percent in the previous session, pressured by concerns over the outlook for the global economy.

## 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>	11.00
<b>3 Year</b>	11.10
<b>4 Year</b>	11.35
<b>5 Year</b>	11.40
<b>6 Year</b>	11.50
<b>7 Year</b>	11.55
<b>8 Year</b>	11.57

### LIBOR

	USD	EUR	JPY	GBP
<b>1 Month</b>	2.51	(0.42)	(0.12)	0.73
<b>3 Months</b>	2.78	(0.33)	(0.07)	0.92
<b>6 Months</b>	2.85	(0.30)	0.01	1.04
<b>12 Months</b>	3.01	(0.18)	0.11	1.18

### SLIBOR (14/01/2019)

<b>Overnight</b>	9.00%
<b>1 Week</b>	9.26%
<b>1 Month</b>	10.05%
<b>3 Months</b>	10.65%
<b>6 Months</b>	11.15%

### AWPLR %

<b>Week ending 11/01</b>	11.82
<b>Week ago</b>	11.92
<b>Year ago</b>	11.46

### 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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