

## TREASURY COMMENTARY – 17 JANUARY 2019

### LOCAL MARKET

#### **MONEY**

Overnight call-money traded at 8.95% - 9.00% on Wednesday. Net market liquidity with the Central Bank was a Deficit of Rs. 88.46 Bn on Wednesday from a Deficit of Rs 76.78 Bn on Monday.

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

VOLUME (USD Mn)

AS AT 16.01.2019

Cash	54.25
Tom	16.50
Spot	22.66
Forwards	53.79

#### **MARKET LEVELS**

Cash	182.00/183.00
Spot	182.05/183.05

### INTERNATIONAL MARKET

#### **FOREX**

The dollar took a breather on Thursday following its recent strong gains against key rivals, while sterling steadied after British Prime Minister Theresa May's government won a no-confidence vote in parliament. The dollar index, which measures the greenback against six major peers, stood at 96.055 after gaining half a percent during the previous two sessions. The U.S. currency largely held onto its gains against the euro as persistent worries about the euro zone economy weigh on the single currency. Data this week showed Germany barely avoided slipping into recession in the second half of 2018 and European Central Bank chief Mario Draghi warned on Tuesday economic developments in the euro zone economy have been weaker than expected. The dollar was trading a shade lower on the euro at \$1.1399 after rising five straight sessions against the single currency, during which it gained about 1.5 percent. Catching investors' attention was a report in the Wall Street Journal that U.S. federal prosecutors were investigating Huawei Technologies, for allegedly stealing trade secrets from U.S. businesses and could soon issue an indictment. Also in focus were concerns the U.S. government shutdown was starting to take a toll on its economy.

The Japanese yen, a perceived safe-haven in times of turmoil, edged higher against the dollar partly on the back of the worries. The dollar lost 0.1 percent to 108.95 yen. The British pound was stable after May survived the no-confidence vote and invited other party leaders for talks to try to break the impasse on a Brexit withdrawal deal after the proposal she presented was voted down by lawmakers on Tuesday. The Australian and New Zealand dollars marked time on Wednesday with investors relieved the latest episode of the Brexit drama had come and gone without causing convulsions in global markets.

#### **COMMODITIES**

Palladium prices hit record levels on Thursday amid falling supply and growing demand, while gold stood firm on expectations the U.S. Federal Reserve will hold off on further interest rate hikes. Oil prices dipped on Thursday as U.S. crude production quickly approached an unprecedented 12 million barrels per day just as worries about weakening demand emerge.

## ECONOMIC INDICATORS

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

<b>3 Months</b>	Not Offered
<b>6 Months</b>	9.87
<b>12 Months</b>	10.75

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

<b>2 Year</b>	10.65
<b>3 Year</b>	10.90
<b>4 Year</b>	11.00
<b>5 Year</b>	11.25
<b>6 Year</b>	11.30
<b>7 Year</b>	11.40
<b>8 Year</b>	11.45

### LIBOR

	USD	EUR	JPY	GBP
<b>1 Month</b>	2.50	(0.42)	(0.10)	0.73
<b>3 Months</b>	2.77	(0.33)	(0.07)	0.92
<b>6 Months</b>	2.84	(0.29)	0.01	1.04
<b>12 Months</b>	3.00	(0.17)	0.11	1.18

### SLIBOR (16/01/2019)

<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

Level-11

**Tel: FX: 2664843-6 (Priyantha/Chaaminda/Chandika/Ramesha) Fax: 2664854**

**Interest Rates: 2664850-3 (Priyantha / Thayalan/ Sanka)**

**E-mail: [forex@hnb.lk](mailto:forex@hnb.lk) Fitch Rating: AA-(Ika.)**