

## TREASURY COMMENTARY – 22 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. 134.15 Bn on Monday from a Deficit of Rs 139.31 Bn on Friday.

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

VOLUME (USD Mn)

AS AT 21.01.2019

Cash	NIL
Tom	44.25
Spot	14.07
Forwards	41.75

#### **MARKET LEVELS**

Cash	181.25/182.25
Spot	181.30/182.30

### INTERNATIONAL MARKET

#### **FOREX**

The dollar traded near two-week highs against its peers on Tuesday as a slowdown in China's economy to 28-year lows revived investor concerns over global growth and supported safe-haven currencies. Overnight, the International Monetary Fund (IMF) cut its 2019 and 2020 global growth forecasts, citing a bigger-than-expected slowdown in China and the Eurozone, and said failure to resolve trade tensions could further destabilize a slowing global economy. Those fears were brought to the fore on Monday when data showed the Chinese economy grew at its slowest pace since 1990 last year in an ominous sign for 2019. Cooling growth in the world's second largest economy has already put a dip on profits for firms ranging from Apple to big carmakers.

The dollar index, which measures its strength against a group of six major currencies, was steady at 96.33, holding near a two-week high of 96.43 hit on Monday. The yen, another safe-haven currency, was steady against the dollar, fetching 109.64 in early trade. On the whole, the dollar is also facing indirect pressure from slackening momentum in the global economy which has forced the U.S. Federal Reserve to take a cautious approach on any further interest rate increases. "We do not see the Federal Reserve raising rates this year which should lead to weakness in the dollar. We also think the dollar is overbought and over-valued on fundamental metrics," said Jason Wong, senior markets strategist at BNZ markets.

Sterling is another currency facing heightened uncertainty as the United Kingdom prepares to leave the European Union on March 29, with no sign yet of any permanent agreement to secure Britain's economic future with the EU. May's Brexit deal was roundly rejected by parliament last week and on Monday she set out a proposal to overcome the impasse by seeking further concessions from the EU on a plan to prevent customs checks on the Irish border. The euro was flat at \$1.1367. The single currency is likely to remain under pressure as growth in Europe's economic powerhouses such as Germany and France is languishing and inflation remains weak. The European Central Bank is widely expected to maintain an accommodative mode for this year. The Australian dollar was marginally lower at \$0.7157, after holding up in the face of the weak growth numbers from the nation's largest trading partner China.

#### **COMMODITIES**

Gold prices held steady on Tuesday, supported by concerns over a slowdown in global economic growth and uncertainty around Brexit, although a firm dollar pressured the safe-haven metal. Oil prices edged lower on Tuesday as concerns over global economic growth fuelled fears over future demand.

## 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>	10.60
<b>3 Year</b>	10.70
<b>4 Year</b>	10.90
<b>5 Year</b>	11.15
<b>6 Year</b>	11.30
<b>7 Year</b>	11.40
<b>8 Year</b>	11.40

### LIBOR

	USD	EUR	JPY	GBP
<b>1 Month</b>	2.50	(0.41)	(0.10)	0.73
<b>3 Months</b>	2.76	(0.34)	(0.08)	0.92
<b>6 Months</b>	2.85	(0.29)	(0.01)	1.03
<b>12 Months</b>	3.03	(0.17)	0.10	1.17

### SLIBOR (21/01/2019)

<b>Overnight</b>	9.00%
<b>1 Week</b>	9.26%
<b>1 Month</b>	10.04%
<b>3 Months</b>	10.65%
<b>6 Months</b>	11.15%

### AWPLR %

<b>Week ending 18/01</b>	12.03
<b>Week ago</b>	11.82
<b>Year ago</b>	11.40

### AWDR %

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

### INFLATION (%)

	November 2018	December 2018	Year ago
<b>NCPI (YoY)</b>	1.0	0.4	7.3
<b>CCPI (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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