

TREASURY COMMENTARY – 11 FEBRUARY 2019

LOCAL MARKET

MONEY

Overnight call-money traded at 9.00% on Friday. Net market liquidity with the Central Bank was a Deficit of Rs. 96.15 Bn on Friday from a Deficit of Rs 103.82 Bn on Thursday.

USD/LKR MARKET VOLUMES

VOLUME (USD Mn)

AS AT 08.02.2019

Cash	44.00
Tom	8.00
Spot	34.00
Forwards	46.30

MARKET LEVELS

Cash	177.35/178.35
Spot	177.40/178.40

INTERNATIONAL MARKET

FOREX

The dollar rose against most other currencies on Monday, holding near a six-week high as fresh worries about U.S.-Sino trade tensions and global growth drove appetite for safe-haven assets. U.S. negotiators will this week press China on longstanding demands and how it treats U.S. companies' intellectual property in order to seal a trade deal that could prevent tariffs from rising on Chinese imports.

The dollar gained 0.1 percent versus the yen to 109.82. However, traders expect moves in dollar/yen to be small on Monday as Japanese markets remain shut for a public holiday. The dollar index, a measure of its value versus six major peers, was marginally higher at 96.64, on track for its eighth straight day of gains.

Trade tensions between the world's two largest economies have been a major driver of global investor sentiment over the past year. Market confidence took a hit last week when U.S. President Donald Trump said he did not plan to meet with Chinese President Xi Jinping before a March 1 deadline set by the two countries to achieve a trade deal. Trump has vowed to increase U.S. tariffs on \$200 billion worth of Chinese imports to 25 percent from 10 percent currently if the two sides cannot reach a deal by March 2.

The euro was marginally lower versus the greenback at \$1.1322 in early Asian trade while the Aussie was 0.15 percent higher at \$0.7099, after a disastrous week in which it lost 2.2 percent. The strength in the dollar has come despite the Federal Reserve taking a dovish stance at its last policy meeting in January. For now, investors are piling into the safety of the greenback due to fears of a sharp global economic slowdown. The euro came under pressure as core European government debt yields touched their lowest in over two years. The single currency has lost 2.5 percent so far this month. The European Commission sharply cut on Thursday its forecasts for euro zone economic growth for this year and next with the bloc's largest economies expected to be held back by global trade tensions and domestic challenges. Sterling was down 0.1 percent at \$1.2935. Traders expect the pound to remain volatile amid heightened political uncertainty over the Brexit process.

COMMODITIES

Gold prices held steady on Monday, supported by uncertainties around Sino-U.S. trade war and concerns of slowing global economic growth, while a strong dollar weighed on the precious metal. Oil prices fell by more than 1 percent on Monday as U.S. drilling activity picked up and as a refinery fire in the U.S. state of Illinois resulted in the shutdown of a large crude distillation unit.

ECONOMIC INDICATORS

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

3 Months	9.55
6 Months	9.87
12 Months	10.69

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

2 Year	10.50
3 Year	10.95
4 Year	10.95
5 Year	10.95
6 Year	11.00
7 Year	11.05
8 Year	11.20

LIBOR

	USD	EUR	JPY	GBP
1 Month	2.50	(0.41)	(0.11)	0.73
3 Months	2.69	(0.33)	(0.08)	0.88
6 Months	2.74	(0.29)	(0.01)	1.00
12 Months	2.93	(0.16)	0.09	1.14

SLIBOR (08/02/2019)

Overnight	9.00%
1 Week	9.26%
1 Month	10.13%
3 Months	10.95%
6 Months	11.43%

AWPLR %

Week ending 08/02	12.22
Week ago	12.27
Year ago	11.04

AWDR %

January 2019	8.85
December 2018	8.81
Year ago	9.08

INFLATION (%)

		November 2018	December 2018	January 2019	Year ago
NCPI	(YoY)	1.0	0.4	-	7.3
CCPI	(YoY)	3.3	2.8	3.7	5.8
	(12M W.Av)	4.6	4.3	4.1	6.6

TREASURY DIVISION

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