

## TREASURY COMMENTARY – 15 FEBRUARY 2019

### LOCAL MARKET

#### **MONEY**

Overnight call-money traded at 8.95% - 9.00% on Thursday. Net market liquidity with the Central Bank was a Deficit of Rs. 66.52 Bn on Thursday from a Deficit of Rs 62.88 Bn on Wednesday.

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

VOLUME (USD Mn)

AS AT 14.02.2019

Cash	10.90
Tom	16.00
Spot	10.20
Forwards	18.50

#### **MARKET LEVELS**

Cash	178.05/179.05
Spot	178.10/179.10

### INTERNATIONAL MARKET

#### **FOREX**

The dollar weakened against the yen on Friday as dismal U.S. retail sales data reinforced expectations Federal Reserve rates will not rise this year, while investor focus shifted to trade talks between Washington and Beijing. Retail sales posted their largest decline since September 2009, U.S. data showed on Thursday, a sign of weakness in the consumer sector, which accounts for more than two-thirds of the economy.

The dollar lost about 0.5 percent against the safe-haven yen in the overnight session and was relatively unchanged in early Asian trade. The yen rose marginally versus the euro to 124.67, having gained around 0.2 percent on Thursday. The Aussie and New Zealand dollars pared earlier gains, losing 0.2 percent to \$0.7091 and \$0.6819, respectively.

The dollar index, a measure of its strength versus six major peers was relatively unchanged at 97.01, after weakening by 0.12 percent in the previous session. The main focus for the Asian market on Friday remains the outcome of the high level trade talks between U.S. and China this week. Markets earlier this week cheered U.S. President Donald Trump's upbeat assessment of the talks. White House economic adviser Larry Kudlow said the administration's top two negotiators will meet on Friday with Chinese President Xi Jinping but that there had been no decision to extend a March 1 deadline for a deal. Bloomberg had earlier reported that Trump is considering a six-day extension of the deadline. U.S. tariffs on \$200 billion worth of imports from China are scheduled to rise to 25 percent from 10 percent if the two sides don't reach a deal by then, increasing pain and costs in sectors from consumer electronics to agriculture.

Sterling was down 0.1 percent at \$1.2800. Traders expect the pound to remain volatile in the coming weeks. British Prime Minister Theresa May suffered a defeat on her Brexit strategy on Thursday that undermined her pledge to European Union leaders to get her divorce deal approved if they grant her concessions. The United Kingdom is on course to leave the European Union on March 29 without a deal unless Prime Minister Theresa May can persuade the bloc to amend the divorce deal she agreed last year.

#### **COMMODITIES**

Gold prices firmed on Friday as the dollar weakened slightly after disappointing U.S. data indicated slowing economic momentum, supporting the U.S. Federal Reserve's "patient" monetary policy approach. Oil prices rallied on Friday, with Brent crude futures hitting fresh 2019 highs amid U.S. sanctions against Venezuela and Iran and supply cuts led by the Organization of the Petroleum Exporting Countries (OPEC).

## ECONOMIC INDICATORS

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

<b>3 Months</b>	Rejected
<b>6 Months</b>	Rejected
<b>12 Months</b>	10.72

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

<b>2 Year</b>	10.85
<b>3 Year</b>	11.00
<b>4 Year</b>	11.00
<b>5 Year</b>	11.05
<b>6 Year</b>	11.05
<b>7 Year</b>	11.30
<b>8 Year</b>	11.35

### LIBOR

	USD	EUR	JPY	GBP
<b>1 Month</b>	2.48	(0.41)	(0.09)	0.72
<b>3 Months</b>	2.68	(0.34)	(0.08)	0.86
<b>6 Months</b>	2.74	(0.29)	0.01	0.99
<b>12 Months</b>	2.91	(0.18)	0.10	1.12

### SLIBOR (14/02/2019)

<b>Overnight</b>	9.00%
<b>1 Week</b>	9.28%
<b>1 Month</b>	10.16%
<b>3 Months</b>	10.98%
<b>6 Months</b>	11.48%

### AWPLR %

<b>Week ending 08/02</b>	12.22
<b>Week ago</b>	12.27
<b>Year ago</b>	11.04

### AWDR %

<b>January 2019</b>	8.85
<b>December 2018</b>	8.81
<b>Year ago</b>	9.08

### INFLATION (%)

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