

TREASURY COMMENTARY – 20 FEBRUARY 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. 102.21 Bn on Monday from a Deficit of Rs 82.57 Bn on Friday.

USD/LKR MARKET VOLUMES

VOLUME (USD Mn)

AS AT 18.02.2019

Cash	NIL
Tom	6.75
Spot	20.42
Forwards	7.50

MARKET LEVELS

Cash	179.55/180.55
Spot	179.60/180.60

INTERNATIONAL MARKET

FOREX

The dollar dropped against its peers on Wednesday in the wake of falling U.S. yields and as investors remained cautious ahead of the Federal Reserve's policy meeting minutes due later in the session. The U.S. currency has also been weighed down as safe-haven demand for the liquid dollar has receded on optimism that a fresh round of talks between China and the United States would help resolve their trade conflict.

The dollar index versus a basket of six major currencies was a touch lower at 96.495 after shedding about 0.4 percent overnight. The benchmark 10-year U.S. Treasury yield fell sharply to an 11-day low on Tuesday ahead of the Fed meeting minutes, which are due later on Wednesday. The minutes from the January Fed meeting will be closely watched following a dovish statement from the central bank at their January policy-setting meeting.

The dollar was steady at 110.61 yen, unable to remain near a high of 110.825 touched the previous day after Bank of Japan Governor Haruhiko Kuroda said the central bank was ready to ramp up stimulus if sharp yen rises hurt the economy.

The euro was unchanged at \$1.1341 after advancing 0.25 percent on Tuesday, when it brushed a near two-week peak of \$1.1358. The pound was effectively flat at \$1.3063 after rallying the previous day to a two-week high of \$1.3073. Sterling had surged more than 1 percent on Tuesday on hopes that British Prime Minister Theresa May will make progress in seeking changes to her Brexit deal with the European Union.

The Australian dollar eased back on Tuesday after the country's central bank sounded a warning about weakness in the housing market that was taken as dovish for interest rates. The Aussie dipped to \$0.7121 and away from Monday's top of \$0.7160. The New Zealand dollar was steadier at \$0.6848. Minutes of the Reserve Bank of Australia's (RBA) February policy meeting showed the board saw "significant uncertainties" over the economic outlook, particularly on how sliding home prices might affect consumer spending.

COMMODITIES

Gold prices held at 10-month highs on Wednesday, supported by global slowdown concerns and a weaker dollar, with markets eyeing the release of the U.S. Federal Reserve's policy meeting minutes later in the session. Oil prices slipped from 2019 highs on Wednesday as rising U.S. production and expectations of an economic slowdown undermined efforts led by producer club OPEC to cut supply to tighten global markets.

ECONOMIC INDICATORS

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

3 Months	Rejected
6 Months	Rejected
12 Months	10.72

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

2 Year	10.85
3 Year	11.00
4 Year	11.00
5 Year	11.05
6 Year	11.05
7 Year	11.30
8 Year	11.35

LIBOR

	USD	EUR	JPY	GBP
1 Month	2.48	(0.41)	(0.10)	0.72
3 Months	2.64	(0.34)	(0.08)	0.86
6 Months	2.75	(0.28)	0.00	0.98
12 Months	2.90	(0.16)	0.10	1.12

SLIBOR (18/02/2019)

Overnight	9.00%
1 Week	9.30%
1 Month	10.24%
3 Months	10.99%
6 Months	11.49%

AWPLR %

Week ending 15/02	12.08
Week ago	12.22
Year ago	11.16

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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