

TREASURY COMMENTARY – 14 MARCH 2019

LOCAL MARKET

MONEY

Overnight call-money traded at 8.50% - 8.95% on Wednesday. Net market liquidity with the Central Bank was a Deficit of Rs. 13.65 Bn on Wednesday from a Deficit of Rs. 19.44 Bn on Tuesday.

USD/LKR MARKET VOLUMES

VOLUME (USD Mn)

AS AT 13.03.2019

| | |
|----------|-------|
| Cash | 21.00 |
| Tom | 16.80 |
| Spot | 23.00 |
| Forwards | 34.00 |

MARKET LEVELS

| | |
|------|---------------|
| Cash | 178.25/179.25 |
| Spot | 178.30/179.30 |

INTERNATIONAL MARKET

FOREX

The British pound jumped in late Wednesday trade, hitting session highs after British lawmakers rejected leaving the European Union without a deal in any scenario. The non-binding vote will increase pressure on Prime Minister Theresa May to rule out a "no-deal" exit, and paves the way for a vote to delay Brexit. If Britain does seek a delay, it will require the agreement of all the bloc's other 27 members. The pound was last up 1.39 percent at \$1.326 after a roller-coaster ride this week in which its price has moved within a range of 3-1/2 cents against the dollar. It remained slightly off the session high of \$1.328 hit immediately after the vote as uncertainty remains around the process and the path forward.

The U.S. dollar was softer on Wednesday after new inflation data bolstered the likelihood U.S. interest rates will not be raised any time soon. U.S. producer prices barely rose in February, the U.S. Labor Department reported on Wednesday, resulting in the smallest annual increase in more than 1-1/2 years. This is the latest sign of benign inflation, supporting the Federal Reserve's wait-and-see approach to further interest rate hikes this year. U.S. economic data from February has been weaker than expected: Employers added just 20,000 jobs last month, a 94 percent decline from January, and both consumer and producer prices reported this week have surprised modestly to the downside. The dollar was last down 0.41 percent against the euro, at \$1.133. The U.S. dollar index, which measures the greenback against a basket of six rival currencies, was 0.43 percent lower at 96.515.

The Australian dollar skidded lower after a consumer confidence gauge triggered fresh concerns about a slowing economy. A measure of Australian consumer confidence slumped to its lowest in over a year in March, adding to recent signs of weakness in the economy. Sentiment in China, a major trading partner for Australia, also deteriorated on Wednesday, with Chinese share prices falling.

COMMODITIES

Gold held close to two-week highs on Thursday as the U.S. dollar eased after British lawmakers rejected a no-deal Brexit in any scenario and as tepid U.S. inflation data reduced the chance of future U.S. interest rate hikes. Oil prices nudged higher to sit just off a four-month high reached in the previous session as investors focused on global production cuts and supply disruptions in Venezuela.

ECONOMIC INDICATORS

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

| | |
|------------------|-------------|
| 3 Months | 9.55 |
| 6 Months | 9.87 |
| 12 Months | 10.58 |

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

| | |
|---------------|-------|
| 2 Year | 10.75 |
| 3Year | 10.80 |
| 4 Year | 10.90 |
| 5 Year | 11.07 |
| 6 Year | 11.10 |
| 7 Year | 11.15 |
| 8 Year | 11.25 |

LIBOR

| | USD | EUR | JPY | GBP |
|------------------|------|--------|--------|------|
| 1 Month | 2.49 | (0.41) | (0.12) | 0.73 |
| 3 Months | 2.59 | (0.33) | (0.07) | 0.84 |
| 6 Months | 2.68 | (0.30) | 0.00 | 0.98 |
| 12 Months | 2.87 | (0.17) | 0.10 | 1.12 |

SLIBOR (13/03/2019)

| | |
|------------------|--------|
| Overnight | 8.95% |
| 1 Week | 9.32% |
| 1 Month | 10.28% |
| 3 Months | 11.01% |
| 6 Months | 11.51% |

AWPLR %

| | |
|--------------------------|-------|
| Week ending 08/03 | 12.31 |
| Week ago | 12.51 |
| Year ago | 11.03 |

AWDR %

| | |
|----------------------|------|
| February 2019 | 8.88 |
| January 2019 | 8.85 |
| Year ago | 9.05 |

INFLATION (%)

| | | December 2018 | January 2019 | February 2019 | Year ago |
|-------------|-------------------|---------------|--------------|---------------|----------|
| NCPI | (YoY) | 0.4 | 1.2 | - | 5.4 |
| CCPI | (YoY) | 2.8 | 3.7 | 4.0 | 4.5 |
| | (12M W.Av) | 4.3 | 4.1 | 4.1 | 6.4 |

TREASURY DIVISION

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