

TREASURY COMMENTARY – 15 MARCH 2019

LOCAL MARKET

MONEY

Overnight call-money traded at 8.85% - 8.90% on Thursday. Net market liquidity with the Central Bank was a Deficit of Rs. 12.85 Bn on Thursday from a Deficit of Rs. 13.65 Bn on Wednesday.

USD/LKR MARKET VOLUMES

VOLUME (USD Mn)

AS AT 14.03.2019

Cash	28.50
Tom	27.40
Spot	7.00
Forwards	46.30

MARKET LEVELS

Cash	178.25/179.25
Spot	178.30/179.30

INTERNATIONAL MARKET

FOREX

The British pound paused for breath on Friday after the UK parliament voted overwhelmingly to seek a delay in Britain's exit from the European Union, while the yen looked to the Bank of Japan's guidance on its policy later in the day. Sterling fetched \$1.3253, having slipped further from Wednesday's nine-month high of \$1.3380, with its fall of 0.76 percent on Thursday. Against the euro, the pound retreated to 85.25 pence from Wednesday's 22-month peak at 84.725.

British lawmakers approved a motion setting out the option to ask the EU for a short delay if parliament can agree on a Brexit deal by March 20, or a longer delay if no deal can be agreed in time. The pound was mostly steady after the motion was passed late on Thursday. Before UK Prime Minister Theresa May meets EU leaders on Wednesday and Thursday, a new vote on her twice-rejected deal is likely next week. Lawmakers must now decide whether to back a deal they feel does not offer a clean break from the EU, or reject it and accept that Brexit could be watered down or even thwarted by a long delay.

The yen slipped to a one-week low of 111.83 per dollar on Thursday partly on speculation that the BOJ could make a stronger show of its readiness to ease policy further at its review ending later on Friday. Still, most market players expect the BOJ to refrain from any drastic changes to its policy framework. The yen last stood at 111.77.

The euro eased to \$1.1307 from Wednesday's one-week high of \$1.1339.

The Australian dollar traded at \$0.7064, off this week's high of \$0.7098 as its recent rebound was dented by reports that a possible summit meeting the United States and China to hammer out a trade deal will be delayed. U.S. Treasury Secretary Steven Mnuchin said on Thursday that a trade summit between President Donald Trump and his Chinese counterpart Xi Jinping would not happen at the end of March as had been previously suggested because there was still more work to do in trade negotiations.

COMMODITIES

Gold prices edged down on Friday after slipping below the key \$1,300 level in the previous session, pressured by improving appetite for risk as British lawmakers voted to seek a delay to the country's exit from the European Union. Oil prices were steady on Friday, supported as production cuts led by OPEC and U.S. sanctions against Venezuela and Iran likely created a slight deficit in global supply in the first quarter of 2019.

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	10.65
3Year	10.75
4 Year	10.90
5 Year	11.00
6 Year	11.00
7 Year	11.15
8 Year	11.25

LIBOR

	USD	EUR	JPY	GBP
1 Month	2.48	(0.41)	(0.11)	0.72
3 Months	2.61	(0.33)	(0.07)	0.84
6 Months	2.67	(0.29)	0.00	0.96
12 Months	2.85	(0.17)	0.10	1.10

SLIBOR (14/03/2019)

Overnight	8.96%
1 Week	9.33%
1 Month	10.27%
3 Months	11.01%
6 Months	11.51%

AWPLR %

Week ending 08/03	12.31
Week ago	12.51
Year ago	11.43

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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