

## TREASURY COMMENTARY – 19 MARCH 2019

### LOCAL MARKET

#### **MONEY**

Overnight call-money traded at 8.80% - 8.90% on Monday. Net market liquidity with the Central Bank was a Deficit of Rs. 19.44 Bn on Monday from a Deficit of Rs. 12.80 Bn on Friday.

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

VOLUME (USD Mn)

AS AT 18.03.2019

Cash	16.50
Tom	3.50
Spot	23.25
Forwards	12.50

#### **MARKET LEVELS**

Cash	177.70/178.70
Spot	177.75/178.75

### INTERNATIONAL MARKET

#### **FOREX**

The dollar was under pressure on Tuesday, weighed by growing expectations the Federal Reserve would shift to a more accommodative policy stance this week and concerns about slower U.S. economic growth.

The dollar index, which measures the greenback against a basket of six major currencies, was a shade lower at 96.495, hovering close to a two-week low. The index has lost 1.2 percent after hitting a three-month high of 97.710 on March 7. The dollar has weakened in recent sessions on growing expectations the Fed will strike a dovish tone at its two-day policy meeting due to start later on Tuesday.

Many investors expect the Fed, which has raised rates four times last year, to keep its benchmark overnight interest rate unchanged and stick to its pledge of a "patient" approach to monetary policy.

As the dollar took a breather, other major currencies advanced by default. The yen rose 0.1 percent to 111.27 yen per dollar, extending its gains to a third session.

Sterling also gained, rising 0.1 percent to \$1.3268. It had seesawed overnight after the speaker of Britain's parliament said Prime Minister Theresa May's Brexit deal could not be voted on again unless a different proposal was submitted.

The Bank of England is expected to leave its interest rate outlook unchanged at a policy meeting on Thursday due to the deep uncertainty over Britain's decision to leave the European Union.

#### **COMMODITIES**

Gold prices rose for a third consecutive session on Tuesday as the dollar weakened on expectations that the U.S. Federal Reserve will maintain a dovish tone at its monetary policy meeting this week. Oil prices hovered just below 2019 highs early on Tuesday, supported by ongoing supply cuts led by producer club OPEC. U.S. sanctions against oil producers Iran and Venezuela are also boosting crude prices, although traders say the market looks capped by rising American output.

## ECONOMIC INDICATORS

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

<b>3 Months</b>	9.55
<b>6 Months</b>	9.87
<b>12 Months</b>	10.58

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

<b>2 Year</b>	10.70
<b>3Year</b>	10.75
<b>4 Year</b>	10.90
<b>5 Year</b>	11.00
<b>6 Year</b>	11.00
<b>7 Year</b>	11.15
<b>8 Year</b>	11.25

### LIBOR

	USD	EUR	JPY	GBP
<b>1 Month</b>	2.48	(0.41)	(0.12)	0.72
<b>3 Months</b>	2.62	(0.34)	(0.08)	0.84
<b>6 Months</b>	2.67	(0.29)	0.00	0.96
<b>12 Months</b>	2.84	(0.17)	0.09	1.11

### SLIBOR (18/03/2019)

<b>Overnight</b>	8.92%
<b>1 Week</b>	9.33%
<b>1 Month</b>	10.27%
<b>3 Months</b>	11.01%
<b>6 Months</b>	11.51%

### AWPLR %

<b>Week ending 15/03</b>	12.17
<b>Week ago</b>	12.31
<b>Year ago</b>	11.03

### AWDR %

<b>February 2019</b>	8.88
<b>January 2019</b>	8.85
<b>Year ago</b>	9.05

### INFLATION (%)

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

### TREASURY DIVISION

Level-11

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