

TREASURY COMMENTARY – 22 MARCH 2019

LOCAL MARKET

MONEY

Overnight call-money traded at 8.80% - 8.95% on Thursday. Net market liquidity with the Central Bank was a Deficit of Rs. 18.73 Bn on Thursday from a Deficit of Rs. 36.18 Bn on Tuesday.

USD/LKR MARKET VOLUMES

VOLUME (USD Mn)

AS AT 21.03.2019

Cash	21.00
Tom	10.00
Spot	17.95
Forwards	16.25

MARKET LEVELS

Cash	177.50/178.50
Spot	177.55/178.55

INTERNATIONAL MARKET

FOREX

The dollar largely held onto the previous session's gains in early Asian trade on Friday, while sterling edged up on news that Britain could leave the European Union without a Brexit deal at a slightly later date. Against a basket of key rival currencies, the dollar was about 0.1 percent lower at 96.394.

The index had recovered three-quarters of a percent overnight after falling to a more than six-week low on Wednesday on news the Federal Reserve had abandoned plans to raise rates this year. British Prime Minister Theresa May on Friday welcomed the European Union's decision to delay Brexit, saying that lawmakers in the British parliament now had clear choices about what to do next. Britain could leave the European Union without a Brexit deal on April 12 if lawmakers next week reject May's agreement with Brussels, EU leaders said on Thursday. They also gave the British leader an extra two months, until May 22, to leave if she wins next week's vote in parliament. Sterling rose one-sixth of a percent to \$1.3126. It had retraced sharp losses overnight, when it touched as low as \$1.3004.

The Bank of England kept interest rates steady on Thursday and said most businesses felt as ready as they could be for a no-deal Brexit. Figures on Friday showed Japan's core consumer prices rose 0.7 percent in February from a year earlier, slowing from the previous month's pace. The data underlines the fragile nature of Japan's economic recovery, as escalating U.S.-China trade frictions and slowing Chinese growth weigh on exports and business sentiment. Against the Japanese yen, the dollar was a shade lower at 110.71 yen, staying well away from the 111-level last breached before the Fed's rate announcement. Three in four Japanese companies expect U.S.-China trade frictions to last until at least late 2019, a sharp contrast to market hopes that presidents Donald Trump and Xi Jinping might soon strike a deal, a Reuters poll found. The Euro was a tad lower at \$1.1370, extending losses into a second session after dipping one-third of a percent overnight. Data showing the number of Americans filing applications for unemployment benefits fell more than expected last week had helped lift the dollar overnight.

COMMODITIES

Gold extended losses on Friday, moving further away from a three-week peak hit in the previous session, as appetite for riskier assets improved on upbeat U.S. economic data, while the metal was still on path for a third straight weekly gain. Oil prices on Friday hovered close to 2019 peaks reached the previous day, propped up by supply cuts led by producer club OPEC and by U.S. sanctions against Iran and Venezuela.

ECONOMIC INDICATORS

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

3 Months	9.49
6 Months	9.79
12 Months	10.52

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

2 Year	10.65
3Year	10.72
4 Year	10.85
5 Year	11.00
6 Year	11.05
7 Year	11.10
8 Year	11.15

LIBOR

	USD	EUR	JPY	GBP
1 Month	2.49	(0.41)	(0.11)	0.73
3 Months	2.61	(0.33)	(0.08)	0.84
6 Months	2.67	(0.30)	0.01	0.97
12 Months	2.81	(0.17)	0.10	1.11

SLIBOR (21/03/2019)

Overnight	8.91%
1 Week	9.33%
1 Month	10.26%
3 Months	11.01%
6 Months	11.51%

AWPLR %

Week ending 15/03	12.17
Week ago	12.31
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

Level-11

Tel: FX: 2664843-6 (Priyantha/Chaaminda/Chandika/Ramesha) Fax: 2664854

Interest Rates: 2664850-3 (Priyantha / Thayalan/ Sanka)

E-mail: forex@hnb.lk Fitch Rating: AA-(lka.)