

TREASURY COMMENTARY – 16 APRIL 2019

LOCAL MARKET

MONEY

Overnight call-money traded at 8.50% - 8.58% on Friday. Net market liquidity with the Central Bank was a Deficit of Rs. 16.48 Bn on Friday from a Deficit of Rs. 16.09 Bn on Thursday.

USD/LKR MARKET VOLUMES

VOLUME (USD Mn)

AS AT 12.04.2019

Cash	7.25
Tom	1.50
Spot	15.75
Forwards	2.00

MARKET LEVELS

Cash	174.15/175.15
Spot	174.20/175.20

INTERNATIONAL MARKET

FOREX

Major currencies remained confined to well-trodden ranges on Tuesday, as markets look next to European and Chinese data for more evidence that the worst may be over for the global economy. The yen remained close to 2019 lows against the U.S. and Australian dollars after investors reduced exposure to the safe-haven currency to seek higher yields elsewhere. The Japanese currency has fallen against both units after rising to recent highs in late March, said Masafumi Yamamoto, chief currency strategist at Mizuho Securities. The dollar was unchanged at 112.00 yen, holding above its 200-day moving average for the fourth straight session. It traded less than a sixth of a percent off the year's high of 112.135 yen hit in early March. The Aussie was basically flat at 80.35 yen, also trading above its 200-day moving average, for the third session, after last breaching the key technical level in December last year. Market participants eyed European manufacturing data due on Thursday for cues on whether growth in that region is improving. The euro was steady at \$1.1307 after inching up less than a tenth of a percent overnight. The dollar index last stood at 96.932 after ending the previous session basically unchanged. Investors also kept their focus on trade issues, including talks between Japanese Economy Minister Toshimitsu Motegi and U.S. Trade Representative Robert Lighthizer. Motegi said late on Monday both sides had confirmed that new bilateral trade talks would proceed based on the two nations' joint statement issued last September. Motegi and Lighthizer are slated to continue their talks on Tuesday.

Meanwhile, U.S. Treasury Secretary Steven Mnuchin said over the weekend he hoped Sino-U.S. trade negotiations were close to their final round. Reuters reported on Sunday that U.S. negotiators had tempered demands that China curb industrial subsidies as a condition for a trade deal after strong resistance from Beijing. The Australian dollar, a barometer of investor sentiment, was unchanged at \$0.7174, hovering close to a near seven-week high brushed on Friday.

COMMODITIES

Gold slipped for a fourth straight session on Tuesday as optimism over the U.S.-China trade talks helped investors retain risk appetite despite dismal quarterly results from Wall Street. Oil prices edged down on Tuesday after a Russian minister said the nation and OPEC may boost crude output to fight for market share, checking a recent sharp rally driven by tighter global production.

ECONOMIC INDICATORS

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

3 Months	9.09
6 Months	9.29
12 Months	9.99

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

2 Year	10.25
3Year	10.40
4 Year	10.60
5 Year	10.70
6 Year	10.80
7 Year	10.90
8 Year	10.95

LIBOR

	USD	EUR	JPY	GBP
1 Month	2.48	(0.41)	(0.10)	0.73
3 Months	2.60	(0.36)	(0.06)	0.84
6 Months	2.64	(0.31)	0.00	0.94
12 Months	2.75	(0.20)	0.09	1.09

SLIBOR (12/04/2019)

Overnight	8.55%
1 Week	9.22%
1 Month	10.13%
3 Months	10.68%
6 Months	11.51%

AWPLR %

Week ending 12/04	12.00
Week ago	11.94
Year ago	10.82

AWDR %

March 2019	8.98
February 2019	8.88
Year ago	9.00

INFLATION (%)

	January 2019	February 2019	March 2019	Year ago
NCPI (YoY)	1.2	2.4	-	3.2
CCPI (YoY)	3.7	4.0	4.3	4.2
(12M W.Av)	4.1	4.1	4.1	6.1

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-(Ika.)