

## TREASURY COMMENTARY – 22 APRIL 2019

### LOCAL MARKET

#### **MONEY**

Overnight call-money traded at 8.40% - 8.55% on Thursday. Net market liquidity with the Central Bank was a positive of Rs. 14.29 Bn on Thursday from a Deficit of Rs. 6.49 Bn on Wednesday.

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

VOLUME (USD Mn)

AS AT 18.04.2019

Cash	19.08
Tom	8.50
Spot	11.80
Forwards	26.70

#### **MARKET LEVELS**

Cash	174.50/175.50
Spot	174.55/175.55

### INTERNATIONAL MARKET

#### **FOREX**

The dollar drifted higher against the euro and British pound on Monday, supported by the relative strength of the U.S. economy, though moves remained small as many investors were still away for the long Easter weekend. Financial markets in Australia, Hong Kong and many major countries in Europe are closed on Monday for the Easter holiday. Currency trading continues globally but volume is expected to be light. The dollar has found support in recent weeks on the back of a gradual rise in U.S. 10-year Treasury yields and signs of strength in the world's top economy, including better-than-expected retail sales in March, following a weak start to the year. The dollar index was last down a tenth of a percent at 97.369 drifting slightly lower after booking a 0.4-percent gain last week. The index remained within striking distance of its 2019 high of 97.71 brushed in early March. Investors' immediate focus will be on U.S. existing home sales for March, due at 1400 GMT, for further cues on the health of the U.S. economy. In February, U.S. home sales surged to their highest in 11 months, as the country's housing market showed renewed momentum following a pause in interest rate hikes by the Federal Reserve. The euro was a tad lower at \$1.1244, adding to last week's losses of nearly half a percent after data on Thursday showed that activity in Germany's manufacturing sector shrank for a fourth straight month in April. The pound was last down 0.05 percent at \$1.2994, dipping below the \$1.30 handle and nearly 0.4 percent off a two-month low of \$1.2945 hit last month. Against the Japanese yen, the dollar was 0.1 percent higher at 111.98 yen, within reach of this year's peak of 112.17 hit on Wednesday last week. Starting Saturday, Japan will have an unprecedented 10-day holiday from late April to early May to mark the ascension of the new emperor, Crown Prince Naruhito. Currency trading by Japanese investors are expected to remain relatively light as traders and companies are shifting into holiday mode.

#### **COMMODITIES**

Oil prices rallied by more than 2 percent on Monday to levels not seen since November 2018 as a Reuters source familiar with the matter confirmed a report that Washington is set to announce all imports of Iranian oil must end or be subject to sanctions. Gold prices steadied on Monday after falling to a near four-month low in the previous session, with the dollar gaining in the wake of indications that U.S. economic growth picked up in the first quarter.

## ECONOMIC INDICATORS

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

<b>3 Months</b>	9.00
<b>6 Months</b>	9.19
<b>12 Months</b>	9.91

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

<b>2 Year</b>	10.15
<b>3Year</b>	10.35
<b>4 Year</b>	10.55
<b>5 Year</b>	10.70
<b>6 Year</b>	10.75
<b>7 Year</b>	10.85
<b>8 Year</b>	10.95

### LIBOR

	USD	EUR	JPY	GBP
<b>1 Month</b>	2.48	(0.41)	(0.10)	0.74
<b>3 Months</b>	2.58	(0.35)	(0.07)	0.82
<b>6 Months</b>	2.63	(0.30)	0.00	0.94
<b>12 Months</b>	2.75	(0.20)	0.10	1.10

### SLIBOR (18/04/2019)

<b>Overnight</b>	8.55%
<b>1 Week</b>	9.22%
<b>1 Month</b>	10.11%
<b>3 Months</b>	10.61%
<b>6 Months</b>	11.50%

### AWPLR %

<b>Week ending 18/04</b>	11.99
<b>Week ago</b>	12.00
<b>Year ago</b>	11.32

### AWDR %

<b>March 2019</b>	8.98
<b>February 2019</b>	8.88
<b>Year ago</b>	9.00

### INFLATION (%)

	January 2019	February 2019	March 2019	Year ago
<b>NCPI (YoY)</b>	1.2	2.4	-	3.2
<b>CCPI (YoY)</b>	3.7	4.0	4.3	4.2
<b>(12M W.Av)</b>	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](mailto:forex@hnb.lk) Fitch Rating: AA-(lka.)**