

TREASURY COMMENTARY – 15 MAY 2019

LOCAL MARKET

MONEY

Overnight call-money traded at 8.35% - 8.48% on Tuesday. Net market liquidity with the Central Bank was a Surplus of Rs. 22.34 Bn on Tuesday from a Surplus of Rs. 26.53 Bn on Monday.

USD/LKR MARKET VOLUMES

VOLUME (USD Mn)

AS AT 14.05.2019

Cash	8.00
Tom	18.56
Spot	8.80
Forwards	13.00

MARKET LEVELS

Cash	176.30/177.30
Spot	176.35/177.35

INTERNATIONAL MARKET

FOREX

The dollar was firmer in early Asian trade on Wednesday while the Australian dollar brushed a more than four-month low as traders eyed Chinese and European data for clues on whether the worst is over for the global economy. The dollar was supported as trade issues remained front-and-centre of investors' minds after U.S. and Chinese officials had said the two countries would continue to negotiate on trade. U.S. President Donald Trump insisted on Tuesday that trade talks with China had not collapsed and called the U.S.-China trade war "a little squabble". Investors will continue to monitor key barometer currency pairs and Aussie and (the Chinese) yuan remain under pressure near recent lows, The dollar index against a basket of six key rivals was steady at 97.542, having risen 0.2% during the previous session. Market participants are now focused on data out of China and Europe to provide the latest pointers on the state of the global economy. In the spotlight on Wednesday are Chinese industrial production and retail sales for April. Later in the global day, focus turns to euro zone and German gross domestic product reports and U.S. retail sales and industrial product for April for further cues on global growth. The euro was last a shade lower at \$1.1203. The single currency ended the previous session lower after Italy's deputy prime minister said the country is ready to break European Union budget rules on debt levels if necessary to boost employment. The Australian dollar gave up a quarter of a percent to \$0.6928 falling to its lowest since early January ahead of the release of the Chinese data. The Aussie is often seen as a proxy for Chinese growth because of Australia's export-reliant economy and China being the country's main destination for its commodities. That sentiment was echoed by Bart Wakabayashi, Tokyo branch manager at State Street Bank, who said investors continued to view the Australian market as being reliant on China.

COMMODITIES

Oil eased on Wednesday after closely watched data showed a surprise rise in U.S. crude stockpiles, but prices were supported by mounting tensions in the Middle East. Meanwhile, the Organization of the Petroleum Exporting Countries (OPEC) on Tuesday said that world demand for its oil would be higher than expected this year as supply growth from rivals including U.S. shale producers slows, pointing to a tighter market if the exporter group refrains from raising output. Gold steadied on Wednesday after retreating from a one-month peak in the previous session as Washington and Beijing decided to further their discussions on trade, soothing investor concerns around a full-blown trade war.

ECONOMIC INDICATORS

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

3 Months	8.51
6 Months	9.00
12 Months	9.44

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

2 Year	9.80
3Year	9.95
4 Year	10.35
5 Year	10.48
6 Year	10.55
7 Year	10.70
8 Year	10.75

LIBOR

	USD	EUR	JPY	GBP
1 Month	2.43	(0.41)	(0.10)	0.73
3 Months	2.51	(0.36)	(0.07)	0.80
6 Months	2.59	(0.31)	0.00	0.91
12 Months	2.67	(0.21)	0.09	1.06

SLIBOR (14/05/2019)

Overnight	8.43%
1 Week	9.06%
1 Month	9.73%
3 Months	10.18%
6 Months	11.14%

AWPLR %

Week ending 10/05	12.15
Week ago	12.20
Year ago	11.45

AWDR %

April 2019	8.97
March 2019	8.98
Year ago	8.98

INFLATION (%)

	February 2019	March 2019	April 2019	Year ago
NCPI (YoY)	2.4	2.9	-	2.8
CCPI (YoY)	4.0	4.3	4.5	3.8
(12M W.Av)	4.1	4.1	4.1	5.9

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