

TREASURY COMMENTARY – 21 MAY 2019

LOCAL MARKET

MONEY

Overnight call-money traded at 8.40% - 8.48% on Friday. Net market liquidity with the Central Bank was a Surplus of Rs. 38.20 Bn on Friday from a Surplus of Rs. 20.32 Bn on Thursday.

USD/LKR MARKET VOLUMES

VOLUME (USD Mn)

AS AT 17.05.2019

Cash	13.25
Tom	1.58
Spot	18.50
Forwards	0.30

MARKET LEVELS

Cash	175.45/176.45
Spot	175.50/176.50

INTERNATIONAL MARKET

FOREX

The dollar held near a 2-1/2-week high on Tuesday, supported by higher U.S.-yields and as intensifying trade frictions between the United States and China boosted appetite for the safe-haven greenback.

The dollar index against a basket of six major currencies stood at 97.947 after brushing 98.036 overnight, its highest since May 3. Global equities have taken a hit this week, with a U.S. crackdown on China's Huawei Technologies driving chipmakers lower due to fears of a widening trade conflict.

Federal Reserve Chair Jerome Powell said on Monday that it was premature to make a judgement about the impact trade and tariff issues could have on monetary policy. Powell also said globalisation, technology and other forces have changed the way inflation works in the United States in a way that the Fed is still working to understand. The 10-year Treasury note yield stood at 2.412% after bouncing about 2 basis points overnight. The yield had dropped to 2.354% last week, its lowest since March 28, after weak U.S. retail sales data increased rate cut expectations. The euro was effectively flat at \$1.1166 after slipping to \$1.1150 the previous day, its lowest since May 3. The single currency is expected to remain on a nervous footing through the May 23-26 European parliamentary election. The dollar stood unchanged at 110.115 yen after being nudged off a two-week high of 110.320 scaled the previous day. The Australian dollar was 0.17% higher at \$0.6920, still buoyant after rallying the previous day on a surprise election win by the country's conservative government. The victory was seen injecting greater certainty into the financial markets.

COMMODITIES

Gold eased on Tuesday after touching a more than two-week low in the previous session, as a strong dollar diminished bullion's safe-haven appeal amid heightening Sino-U.S. trade tensions. Worries that the United States and China were digging in for a longer, costlier trade war weighed on financial markets on Monday as Beijing accused Washington of harbouring "extravagant expectations" for a deal to end their dispute. Oil prices edged up on Tuesday on escalating tensions between the United States and Iran and on signs that producer club OPEC will continue withholding supply this year. However, gains were checked by concerns that a prolonged Sino-U.S. trade war could lead to a global economic slowdown.

ECONOMIC INDICATORS

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

3 Months	8.52
6 Months	8.88
12 Months	9.18

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

2 Year	9.60
3Year	9.85
4 Year	10.25
5 Year	10.32
6 Year	10.40
7 Year	10.60
8 Year	10.65

LIBOR

	USD	EUR	JPY	GBP
1 Month	2.44	(0.41)	(0.11)	0.73
3 Months	2.52	(0.35)	(0.03)	0.80
6 Months	2.55	(0.31)	0.00	0.91
12 Months	2.63	(0.23)	0.09	1.04

SLIBOR (17/05/2019)

Overnight	8.45%
1 Week	9.04%
1 Month	9.70%
3 Months	10.16%
6 Months	11.14%

AWPLR %

Week ending 17/05	12.14
Week ago	12.15
Year ago	11.39

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

TREASURY DIVISION

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