

TREASURY COMMENTARY – 23 MAY 2019

LOCAL MARKET

MONEY

Overnight call-money traded at 8.45% - 8.51% on Wednesday. Net market liquidity with the Central Bank was a Surplus of Rs. 19.75 Bn on Wednesday from a Surplus of Rs. 32.25 Bn on Tuesday.

USD/LKR MARKET VOLUMES

VOLUME (USD Mn)

AS AT 22.05.2019

Cash	11.00
Tom	4.51
Spot	11.67
Forwards	9.50

MARKET LEVELS

Cash	176.30/177.30
Spot	176.35/177.35

INTERNATIONAL MARKET

FOREX

The yen advanced broadly on Thursday as persistent U.S.-China trade fears and Brexit concerns fanned risk aversion, lifting the safe-haven Japanese currency. The yen was 0.1% firmer at 110.200 to the dollar, having pulled back from a two-week low of 110.675 plumbed on Tuesday. The Japanese currency also rose 0.15% against the euro, added 0.2% versus pound and advanced 0.3% on the Australian dollar. Reports that the United States could impose restrictions on Chinese technology company Hikvision renewed market jitters about trade on Wednesday, reversing a relief rally that followed Washington's move to temporary ease curbs against Huawei Technology Co Ltd.

A deepening Brexit crisis also sapped investor risk sentiment. Pressure on British Prime Minister Theresa May to resign increased after her new Brexit gambit backfired and as a key ally resigned from her cabinet. The pound dipped 0.07% to \$1.2652 after slipping to \$1.2625 overnight, its lowest since Jan. 4. The dollar index against a basket of six major currencies was little changed at 98.105, its rise earlier in the week to a one-month high of 98.134 stalling as U.S. yields declined amid the risk aversion.

The Swiss franc a safe-haven along with the yen, was a shade higher at 1.008 francs per dollar after advancing 0.15% on Wednesday. The euro was flat at \$1.1150, in close range of a 2-1/2-week low of \$1.1142 brushed on Tuesday ahead of the May 23-26 European parliamentary election. The German and euro zone manufacturing purchasing managers' index (PMI) releases due later on Thursday may impact the single currency. The Australian dollar, sensitive to shifts in risk sentiment, nudged down 0.2% to \$0.6870.

COMMODITIES

Gold prices steadied on Thursday just above a two-week low touched this week, buoyed by worries the Sino-U.S. trade conflict could expand into a technology cold war between the world's two largest economies. Oil prices dropped on Thursday, extending falls from the previous session amid surging U.S. crude inventories and weak demand from refineries.

ECONOMIC INDICATORS

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

3 Months	-
6 Months	8.71
12 Months	8.90

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

2 Year	9.35
3Year	9.65
4 Year	9.75
5 Year	9.93
6 Year	10.00
7 Year	10.20
8 Year	10.22

LIBOR

	USD	EUR	JPY	GBP
1 Month	2.43	(0.42)	(0.10)	0.73
3 Months	2.52	(0.36)	(0.08)	0.80
6 Months	2.56	(0.31)	0.01	0.90
12 Months	2.65	(0.22)	0.09	1.05

SLIBOR (21/05/2019)

Overnight	8.45%
1 Week	9.02%
1 Month	9.64%
3 Months	10.13%
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

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.)