

TREASURY COMMENTARY – 27 MAY 2019

LOCAL MARKET

MONEY

Overnight call-money traded at 8.45% - 8.55% on Friday. Net market liquidity with the Central Bank was a Surplus of Rs. 15.79 Bn on Friday from a Surplus of Rs. 10.57 Bn on Thursday.

USD/LKR MARKET VOLUMES

VOLUME (USD Mn)

AS AT 24.05.2019

Cash	12.00
Tom	-
Spot	23.40
Forwards	37.00

MARKET LEVELS

Cash	175.90/176.90
Spot	175.95/176.95

INTERNATIONAL MARKET

FOREX

The euro held firm in early Monday trade after pro-European Union parties withstood more fragmentation than before to hold on to two-thirds of seats in the EU parliament elections, limiting gains in nationalist opponents. The common currency traded at \$1.1211 in Asian trade, near its highest levels in 1 1/2 weeks, and off a two-year low of \$1.11055 touched on Thursday. While centre-right and centre-left blocs are losing their shared majority, surges in the Greens and liberals meant parties committed to strengthening the union held on to two-thirds of seats, official projections showed. The results dented the hopes of anti-immigration, anti-Brussels National Rally led by Marine Le Pen, Italian Deputy Prime Minister Matteo Salvini and others who have been opposing attempts to forge closer EU integration.

Trading was seen subdued on Monday due to market holidays in London and New York, limiting moves in other currency pairs. The U.S. currency traded at 109.45 yen up 0.15%, underpinned by Japanese players' bargain-hunting. Buying interest from Japanese investors is strong when the dollar dips near 109 yen, said Mitsuo Imaizumi, chief currency strategist at Daiwa Securities. "Data shows Japanese investors bought a large amount of foreign bonds a few weeks ago when the dollar fell near 109 yen. There's demand from Japanese companies that need dollar for their M&A deals," he said. Still, the U.S. currency is not far from a three-month low of 109.02 touched two weeks ago, hit amid worries about escalating tensions between Washington and Beijing over trade and technology. The dollar has been also capped against the yen as U.S. President Donald Trump is seen putting pressure on Japan to take measures to reduce its trade surplus with the United States. Trump, who arrived in Tokyo on Saturday, tweeted on Sunday that much of the trade negotiation with Japan will wait until after the country's election in July.

The British pound ticked up 0.15% to \$1.2731, having regained some ground after Prime Minister Theresa May set out a departure date, bouncing back from a 4-1/2-month low of \$1.2605 set on Thursday. But the prospect of a "no deal" Brexit was fast becoming the central battle of the race among contenders to succeed May, with four of eight leadership hopefuls having said Britain must leave the EU on Oct. 31 even if this means a no-deal Brexit.

COMMODITIES

Oil prices were stable on Monday amid ongoing supply cuts by producer club OPEC, although markets remained tense amid concerns the Sino-U.S. trade war could trigger a broad economic slowdown. Gold prices rose on Monday amid concerns the Sino-U.S. trade war had started to take its toll on the U.S. economy, weakening the dollar and raising hopes of a U.S. Federal Reserve interest rate cut.

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	9.70
4 Year	9.80
5 Year	10.00
6 Year	10.15
7 Year	10.25
8 Year	10.30

LIBOR

	USD	EUR	JPY	GBP
1 Month	2.43	(0.42)	(0.12)	0.73
3 Months	2.52	(0.36)	(0.06)	0.80
6 Months	2.55	(0.32)	0.00	0.89
12 Months	2.62	(0.22)	0.09	1.02

SLIBOR (23/05/2019)

Overnight	8.50%
1 Week	8.95%
1 Month	9.40%
3 Months	10.09%
6 Months	11.02%

AWPLR %

Week ending 24/05	11.93
Week ago	12.14
Year ago	11.21

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	3.6	1.6
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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