

TREASURY COMMENTARY – 12 JUNE 2019LOCAL MARKET**MONEY**

Overnight call-money traded at 7.90% - 8.00% on Tuesday. Net market liquidity with the Central Bank was a Surplus of Rs. 36.43 Bn on Tuesday from a Surplus of Rs. 34.89 Bn on Monday.

USD/LKR MARKET VOLUMES

VOLUME (USD Mn)

AS AT 11.06.2019

Cash	14.80
Tom	5.00
Spot	31.75
Forwards	67.00

MARKET LEVELS

Cash	176.00/177.00
Spot	176.05/177.05

INTERNATIONAL MARKET**FOREX**

The dollar traded lower against its peers on Wednesday, weighed by expectations the U.S. Federal Reserve could cut interest rates sometime in the next few months.

The dollar index versus a basket of six major currencies was flat at 96.698, trading just above the 96.459 level it hit on Monday, its lowest since March 25. The index has been under pressure following a sharp decline in long-term U.S. Treasury yields, which fell to near two-year lows on Friday after a soft U.S. jobs report raised expectations for an interest rate cut by the Fed. Investor focus is now on the Fed's next policy meeting on June 18-19 and what kind of signals the central bank could offer on the direction of monetary policy.

Expectations for a central bank rate cut this year rose last week after a number of Fed officials, including Chairman Jerome Powell, hinted they were open to easing monetary policy.

The euro was steady at \$1.1328 and in close reach of a three-month peak of \$1.1348 scaled on Friday.

The single currency was little affected by U.S. President Donald Trump's accusation that Europe was devaluing the euro, which has gained roughly 1.4% against the dollar so far in June.

The dollar was little changed at 108.495 yen. The greenback has crawled off a five-month low of 107.810 plumed a week ago when risk aversion in the broader markets heightened demand for the safe-haven yen.

China's yuan was steady in offshore trade at 6.9259 per dollar after bouncing back the previous day from seven-month lows. The yuan had risen on Tuesday after China's central bank said it would sell yuan-denominated bills in Hong Kong in late June, in a move that some market analysts believed was aimed at stemming a sharp decline in the yuan. An escalation in the U.S.-China trade conflict has weighed heavily on the yuan this year.

COMMODITIES

Gold prices steadied on Wednesday after touching a one-week low in the previous session, buoyed by concerns around U.S.-China trade relations amid expectations of an interest rate cut by the U.S. Federal Reserve. Oil prices fell on Wednesday, weighed down by a weaker oil demand outlook and a rise in U.S. crude inventories despite growing expectations of ongoing OPEC-led supply cuts.

ECONOMIC INDICATORS

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

3 Months	8.38
6 Months	8.63
12 Months	8.88

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

2 Year	9.55
3Year	9.95
4 Year	10.20
5 Year	10.30
6 Year	10.35
7 Year	10.55
8 Year	10.55

LIBOR

	USD	EUR	JPY	GBP
1 Month	2.41	(0.41)	(0.11)	0.72
3 Months	2.43	(0.36)	(0.06)	0.78
6 Months	2.34	(0.32)	(0.00)	0.86
12 Months	2.33	(0.23)	0.06	0.97

SLIBOR (11/06/2019)

Overnight	7.98%
1 Week	8.54%
1 Month	8.74%
3 Months	9.76%
6 Months	10.80%

AWPLR %

Week ending 07/06	11.44
Week ago	11.82
Year ago	11.42

AWDR %

May 2019	9.00
April 2019	8.97
Year ago	8.91

INFLATION (%)

	March 2019	April 2019	May 2019	Year ago
NCPI (YoY)	2.9	3.6	-	1.6
CCPI (YoY)	4.3	4.5	5.0	4.0
(12M W.Av)	4.1	4.1	4.2	5.7

TREASURY DIVISION

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