

## TREASURY COMMENTARY – 19 JUNE 2019

### LOCAL 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. 12.22 Bn on Tuesday from a Surplus of Rs. 13.17 Bn on Monday.

#### USD/LKR MARKET VOLUMES

VOLUME (USD Mn)

AS AT 18.06.2019

Cash	17.10
Tom	8.00
Spot	27.67
Forwards	37.75

#### MARKET LEVELS

Cash	176.30/177.30
Spot	176.35/177.35

### INTERNATIONAL MARKET

#### FOREX

The dollar held near a two-week high early on Wednesday ahead of the Federal Reserve's closely-watched policy decision later in the day, supported by a surprisingly dovish European Central Bank and bearish eurozone economic data.

The dollar index versus a basket of six major currencies was steady at 97.615 after climbing to 97.766 on Tuesday, its highest level since June 3. Focus was on whether the greenback can retain its strength after the Fed's two-day policy meeting ends later on Wednesday. The Fed is widely expected to stand pat on monetary policy this time but open the door for an interest rate cut at the next meeting in July.

The euro was steady at \$1.1198 after shedding 0.2% overnight, when it brushed a 15-day trough of \$1.1181.

The common currency dropped along with a decline in German government bond yields, which hit a new record low on Tuesday, after ECB chief Mario Draghi said the bank will need to ease policy again if inflation doesn't head back to its target.

The Australian dollar was a shade higher at \$0.6884 after mounting a rebound the previous day, when it pulled away from a 5-1/2-month low of \$0.6832 set on growing expectations that the Reserve Bank of Australia may have to cut rates again.

The Aussie, along with the Chinese yuan, got a lift on Tuesday as China and the United States rekindled trade talks ahead of a meeting next week between Presidents Donald Trump and Xi Jinping.

The Chinese yuan extended overnight gains in offshore trade to reach 6.8953 per dollar, its strongest since May 14.

The dollar gained 0.1% to 108.555 yen after losing modest ground overnight.

#### COMMODITIES

Gold traded almost steady on Wednesday as investors awaited the U.S. Federal Reserve's monetary policy decision later in the day, while expectations of an improvement in trade relationship between the United States and China dented the metal's appeal. Oil prices climbed on Wednesday, extending sharp gains from the previous session on rekindled hopes for a U.S.-China trade deal and on continued tensions in the Middle East after tanker attacks last week.

## ECONOMIC INDICATORS

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

<b>3 Months</b>	8.38
<b>6 Months</b>	8.63
<b>12 Months</b>	Rejected

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

<b>2 Year</b>	9.55
<b>3Year</b>	9.95
<b>4 Year</b>	10.15
<b>5 Year</b>	10.30
<b>6 Year</b>	10.35
<b>7 Year</b>	10.50
<b>8 Year</b>	10.60

### LIBOR

	USD	EUR	JPY	GBP
<b>1 Month</b>	2.39	(0.42)	(0.13)	0.72
<b>3 Months</b>	2.41	(0.36)	(0.06)	0.78
<b>6 Months</b>	2.30	(0.33)	(0.00)	0.86
<b>12 Months</b>	2.28	(0.25)	0.06	0.98

### SLIBOR (18/06/2019)

<b>Overnight</b>	7.98%
<b>1 Week</b>	8.51%
<b>1 Month</b>	8.71%
<b>3 Months</b>	9.76%
<b>6 Months</b>	10.80%

### AWPLR %

<b>Week ending 14/06</b>	11.32
<b>Week ago</b>	11.44
<b>Year ago</b>	11.33

### AWDR %

<b>May 2019</b>	9.00
<b>April 2019</b>	8.97
<b>Year ago</b>	8.91

### INFLATION (%)

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

### TREASURY DIVISION

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