

TREASURY COMMENTARY – 26 JUNE 2019

LOCAL MARKET

MONEY

Overnight call-money traded at 7.85% - 8.00% on Tuesday. Net market liquidity with the Central Bank was a Surplus of Rs. 19.60 Bn on Tuesday from a Surplus of Rs. 20.33 Bn on Monday.

USD/LKR MARKET VOLUMES

VOLUME (USD Mn)

AS AT 25.06.2019

Cash	9.25
Tom	11.06
Spot	40.02
Forwards	54.50

MARKET LEVELS

Cash	176.00/177.00
Spot	176.05/177.05

INTERNATIONAL MARKET

FOREX

The dollar edged up from a three-month low on Wednesday, as investors dialed back expectations for aggressive U.S. rate cuts next month but broader conviction the Federal Reserve will need to ease policy soon capped greenback gains.

Fed Chairman Jerome Powell on Tuesday stressed the central bank's independence from U.S. President Donald Trump, who is pushing for aggressive rate cuts. While this hosed down expectations for a half percentage point cut at the Fed's July meeting, investors are still expecting at least a quarter percentage point reduction.

The dollar index against a basket of currencies stood at 96.176 on Wednesday, just above a three-month low of 95.843 touched on Tuesday.

The yen traded near its highest versus the dollar in more than five months and is likely to edge higher as military tensions between the United States and Iran boost demand for safe-haven currencies.

However, the focus shifts to a meeting between Trump and Chinese President Xi Jinping at a Group of 20 summit over the weekend, but expectations are low for a breakthrough that would end the dispute between the world's two-largest economies.

The euro traded at \$1.1367, pulling back slightly from a three-month high of \$1.1412.

The British pound traded at \$1.2690, stuck near a session low before the Bank of England publishes its closely-watched quarterly inflation forecasts later on Wednesday.

The BoE has said rates would need to rise in a gradual fashion as long as Britain avoids a no-deal exit from the European Union.

COMMODITIES

Gold prices slipped on Wednesday, moving further away from a six-year peak hit in the previous session, as the dollar gained after Federal Reserve officials played down expectations of aggressive monetary easing. Oil prices rose over 1% on Wednesday to hit their highest in nearly a month as widely-watched data showed U.S. crude stockpiles fell more than expected, underpinning a market already buoyed by worries over potential U.S.-Iran conflict.

ECONOMIC INDICATORS

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

3 Months	8.38
6 Months	8.60
12 Months	8.86

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

2 Year	9.25
3Year	9.60
4 Year	9.80
5 Year	10.05
6 Year	10.10
7 Year	10.20
8 Year	10.30

LIBOR

	USD	EUR	JPY	GBP
1 Month	2.40	(0.42)	(0.14)	0.72
3 Months	2.33	(0.37)	(0.06)	0.77
6 Months	2.20	(0.37)	(0.01)	0.85
12 Months	2.17	(0.28)	0.04	0.95

SLIBOR (25/06/2019)

Overnight	7.97%
1 Week	8.49%
1 Month	8.60%
3 Months	9.64%
6 Months	10.79%

AWPLR %

Week ending 21/06	11.53
Week ago	11.32
Year ago	11.33

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	3.5	2.1
CCPI (YoY)	4.3	4.5	5.0	4.0
(12M W.Av)	4.1	4.1	4.2	5.7

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.)