

TREASURY COMMENTARY – 19 JULY 2019

LOCAL MARKET

MONEY

Overnight call-money traded at 7.75% - 7.85% on Thursday. Net market liquidity with the Central Bank was a Surplus of Rs. 34.76 Bn on Thursday from a Surplus of Rs. 26.15 Bn on Wednesday.

USD/LKR MARKET VOLUMES

VOLUME (USD Mn)

AS AT 18.07.2019

Cash	9.50
Tom	10.50
Spot	15.43
Forwards	27.30

MARKET LEVELS

Cash	175.30/176.30
Spot	175.35/176.35

INTERNATIONAL MARKET

FOREX

The dollar was on the defensive on Friday after Federal Reserve officials bolstered expectations of an aggressive rate cut this month to address weakening price pressures.

The dollar stood at 107.42 yen, up 0.15% in early trade, having hit a three-week low of 107.21 on Thursday while the euro also slipped 0.15% to \$1.12555 from \$1.1282. On the week, the dollar is down 0.4% versus the yen and almost flat on the euro.

The dollar index, which hit a two-week low of 96.648, bounced to 96.824.

The greenback fell broadly on Thursday after New York Fed President John Williams' remarks bolstered bets that the Fed would cut interest rates by 50 basis points, rather than 25 basis points.

The pound rebounded on Thursday after stronger-than-expected retail sales numbers, also finding support from a vote by lawmakers to make it harder for Britain's next prime minister to try to force a no-deal Brexit.

Boris Johnson, the favourite to succeed Prime Minister Theresa May, has said Britain must leave the European Union by Oct. 31 with or without a deal and has refused to rule out suspending parliament to prevent lawmakers from trying to block his exit plan.

That has rattled investors who fear a government under Johnson would increase the risk of a no-deal Brexit, and this week they dumped sterling, which dropped to a 27-month low against the dollar and a six-month low versus the euro.

COMMODITIES

Gold prices rose to their highest in more than six years on Friday, supported by fresh tensions in the Middle East and comments from a top Federal Reserve official that cemented expectations of an interest rate cut. Oil prices rose more than 1% on Friday after the U.S. Navy destroyed an Iranian drone in the Strait of Hormuz, a major chokepoint for global crude flows, again raising tensions in the Middle East.

ECONOMIC INDICATORS

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

3 Months	7.99
6 Months	8.09
12 Months	8.46

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

2 Year	8.78
3Year	9.00
4 Year	9.50
5 Year	9.85
6 Year	9.85
7 Year	9.95
8 Year	10.05

LIBOR

	USD	EUR	JPY	GBP
1 Month	2.29	(0.43)	(0.09)	0.71
3 Months	2.30	(0.40)	(0.07)	0.76
6 Months	2.19	(0.41)	(0.04)	0.80
12 Months	2.21	(0.32)	0.05	0.87

SLIBOR (18/07/2019)

Overnight	7.84%
1 Week	8.23%
1 Month	8.30%
3 Months	9.16%
6 Months	10.74%

AWPLR %

Week ending 12/07	10.97
Week ago	11.13
Year ago	11.34

AWDR %

June 2019	8.94
May 2019	9.00
Year ago	8.91

INFLATION (%)

	April 2019	May 2019	June 2019	Year ago
NCPI (YoY)	3.6	3.5	-	2.1
CCPI (YoY)	4.5	5.0	3.8	4.4
(12M W.Av)	4.1	4.2	4.2	5.6

TREASURY DIVISION

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