

TREASURY COMMENTARY – 22 JULY 2019

LOCAL MARKET

MONEY

Overnight call-money traded at 7.80% - 7.90% on Friday. Net market liquidity with the Central Bank was a Surplus of Rs. 31.41 Bn on Friday from a Surplus of Rs. 34.76 Bn on Thursday.

USD/LKR MARKET VOLUMES

VOLUME (USD Mn)

AS AT 19.07.2019

Cash	11.20
Tom	3.50
Spot	7.17
Forwards	7.00

MARKET LEVELS

Cash	175.35/176.35
Spot	175.40/176.40

INTERNATIONAL MARKET

FOREX

The dollar held recent gains on Monday as investors tempered some of their expectations for deep U.S. interest rate cuts this month and heightened Middle East tensions supported safe-haven assets.

While currency market focus will mostly center on global central bank decisions scheduled for the next two weeks, investors are also watching for any developments in U.S.-China trade negotiations.

Markets generally expect central banks to either cut rates or keep policy accommodative, starting with the European Central Bank (ECB) which meets on Thursday followed by the Bank of Japan and the U.S. Federal Reserve next week.

The dollar hovered at levels it hit on Friday, around 107.73 yen, but was trapped in the middle of a 107-109 range where it has traded for a month.

The dollar index, which measures the greenback against a basket of six major currencies, was barely changed at 97.147 after gaining 0.35% last week.

The euro was flat at \$1.1217, after declining 0.4% last week.

In Asia, investor focus remains on China as Beijing and Washington to end a protracted trade war. A report over the weekend by China's official Xinhua news agency suggested some local firms were seeking to buy U.S. farm products, seen by some as a possible sign of progress.

Elsewhere, investors are waiting to see if Boris Johnson will win the British Conservative Party's leadership ballot. The pound held around \$1.2507, staying on a slippery slope since mid-March largely led by political uncertainty in the country.

COMMODITIES

Gold prices inched lower on Monday, extending losses after the metal hit a six-year peak on Friday, as investors rolled back expectations for a sharp interest rate cut at the end of this month, while tensions in the Middle East limited losses for the bullion. Oil prices rose on Monday amid high tensions in the Middle East after a British tanker was seized by the Iranian military at the end of last week.

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	10.02

LIBOR

	USD	EUR	JPY	GBP
1 Month	2.26	(0.44)	(0.09)	0.72
3 Months	2.25	(0.41)	(0.07)	0.76
6 Months	2.14	(0.42)	(0.03)	0.80
12 Months	2.15	(0.34)	0.04	0.85

SLIBOR (19/07/2019)

Overnight	7.85%
1 Week	8.23%
1 Month	8.29%
3 Months	9.16%
6 Months	10.74%

AWPLR %

Week ending 19/07	10.84
Week ago	10.97
Year ago	11.34

AWDR %

June 2019	8.94
May 2019	9.00
Year ago	8.92

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

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