

TREASURY COMMENTARY – 06 AUGUST 2019

LOCAL MARKET

MONEY

Overnight call-money traded at 7.70% - 7.85% on Monday. Net market liquidity with the Central Bank was a Surplus of Rs. 37.46 Bn on Monday from a Surplus of Rs. 34.25 Bn on Friday.

USD/LKR MARKET VOLUMES

VOLUME (USD Mn)

AS AT 05.08.2019

Cash	26.50
Tom	26.27
Spot	11.10
Forwards	54.50

MARKET LEVELS

Cash	176.50/177.50
Spot	176.55/177.55

INTERNATIONAL MARKET

FOREX

China's offshore yuan fell to an all-time low on Tuesday after the Trump administration labelled Beijing a currency manipulator, marking a sharp escalation in the trade war between the world's two largest economies.

The move also pushed the dollar down against the yen and the euro on worries the trade conflict with China would hurt U.S. economic growth and corporate profits.

U.S. Treasury Secretary Steven Mnuchin said in a statement on Monday the government had determined that China is manipulating its currency and that Washington would engage with the International Monetary Fund to eliminate unfair competition from Beijing.

The U.S. action comes after China allowed its yuan to weaken past the key 7-per-dollar level on Monday for the first time in more than a decade, following Trump's decision to impose 10% tariffs on \$300 billion of Chinese imports, ending a month-long trade truce.

The offshore yuan fell to 7.1265 per dollar, an all-time low.

The dollar fell 0.3% versus the yen to 105.61. The greenback earlier slipped to 105.51 yen, the lowest since a flash crash in January that roiled currency markets.

The euro rose 0.3% versus the dollar to \$1.1238, its strongest level since July 19.

COMMODITIES

Gold prices continued to rise on Tuesday as the protracted trade war between the United States and China intensified after Washington designated Beijing a currency manipulator, prompting a flight towards safe-haven assets. Oil prices edged up on Tuesday, but remained under pressure as the escalating U.S.-China trade war stoked concerns over global economic growth and future demand for crude.

ECONOMIC INDICATORS

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

3 Months	7.85
6 Months	7.94
12 Months	8.21

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

2 Year	8.45
3Year	8.80
4 Year	9.30
5 Year	9.70
6 Year	9.80
7 Year	9.85
8 Year	9.90

LIBOR

	USD	EUR	JPY	GBP
1 Month	2.22	(0.43)	(0.11)	0.71
3 Months	2.23	(0.41)	(0.09)	0.77
6 Months	2.13	(0.41)	(0.02)	0.81
12 Months	2.11	(0.35)	0.05	0.84

SLIBOR (05/08/2019)

Overnight	7.80%
1 Week	8.02%
1 Month	8.19%
3 Months	8.74%
6 Months	10.05%

AWPLR %

Week ending 02/07	10.89
Week ago	10.84
Year ago	11.44

AWDR %

July 2019	8.88
June 2019	8.94
Year ago	8.64

INFLATION (%)

	May 2019	June 2019	July 2019	Year ago
NCPI (YoY)	3.5	2.1	-	2.5
CCPI (YoY)	5.0	3.8	3.3	5.4
(12M W.Av)	4.2	4.2	4.0	5.6

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.)