

## TREASURY COMMENTARY – 16 AUGUST 2019

### LOCAL MARKET

#### MONEY

Overnight call-money traded at 7.75% - 7.83% on Thursday. Net market liquidity with the Central Bank was a Surplus of Rs. 34.61 Bn on Thursday from a Surplus of Rs. 27.49 Bn on Tuesday.

#### USD/LKR MARKET VOLUMES

VOLUME (USD Mn)

AS AT 15.08.2019

Cash	23.40
Tom	5.86
Spot	55.00
Forwards	43.50

#### MARKET LEVELS

Cash	176.65/177.65
Spot	176.70/177.70

### INTERNATIONAL MARKET

#### FOREX

The dollar held onto gains on Friday after a surge in U.S. retail sales eased concerns about the world's top economy, but traders cautioned against reading too much into one piece of data given the growing risks to the outlook.

The greenback was on course for a weekly gain against safe-haven currencies such as the Japanese yen and the Swiss franc, pointing to some relief for nerves after fears of recession and protests in Hong Kong rattled financial markets.

This week's inversion in the U.S. Treasury yield curve, which has historically preceded several past U.S. recessions, has stoked fresh worries about the economic impact of the Sino-U.S. trade war.

China on Thursday vowed to counter the latest U.S. tariffs on \$300 billion of Chinese goods, but U.S. President Donald Trump said any pact would have to be on America's terms, suggesting a resolution to the trade war remains elusive.

Trump, who is seeking re-election in 2020 and had made the economy and his tough stance on China a key part of his 2016 campaign for the White House, said any agreement must meet U.S. demands.

More protests are also expected in Hong Kong over the weekend, which could become a new geopolitical flashpoint and further complicate the U.S.-China trade war.

The dollar was little changed at 106.11 yen early in Asian trading after rising 0.2% on Thursday.

For the week, the greenback was up 0.4% against the Japanese currency.

Against a basket of six major currencies, the dollar index edged higher to 98.131. Since hitting a three-week low on Aug. 9, the dollar index has recovered, rising 1.1%

The dollar was marginally higher at 0.9767 Swiss franc, on course for a 0.4% weekly gain.

#### COMMODITIES

Gold prices gained on Friday as the steep fall in U.S. bond yields continued, while conflicting signals on the Sino-U.S. trade war added to economic uncertainty. Crude oil prices rose on Friday after two days of declines, buoyed following data showing a rise in U.S. retail sales helped ease some concerns about a recession in the world's biggest economy.

## ECONOMIC INDICATORS

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

<b>3 Months</b>	7.80
<b>6 Months</b>	Rejected
<b>12 Months</b>	8.17

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

<b>2 Year</b>	8.50
<b>3Year</b>	8.80
<b>4 Year</b>	9.55
<b>5 Year</b>	9.82
<b>6 Year</b>	9.85
<b>7 Year</b>	9.90
<b>8 Year</b>	10.00

### LIBOR

	USD	EUR	JPY	GBP
<b>1 Month</b>	2.19	(0.42)	(0.11)	0.71
<b>3 Months</b>	2.16	(0.42)	(0.10)	0.76
<b>6 Months</b>	2.07	(0.43)	(0.05)	0.80
<b>12 Months</b>	2.02	(0.40)	0.02	0.84

### SLIBOR (15/08/2019)

<b>Overnight</b>	7.81%
<b>1 Week</b>	8.02%
<b>1 Month</b>	8.12%
<b>3 Months</b>	8.75%
<b>6 Months</b>	10.08%

### AWPLR %

<b>Week ending 09/08</b>	10.52
<b>Week ago</b>	10.89
<b>Year ago</b>	11.52

### AWDR %

<b>July 2019</b>	8.88
<b>June 2019</b>	8.94
<b>Year ago</b>	8.64

### INFLATION (%)

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

### TREASURY DIVISION

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