

TREASURY COMMENTARY – 20 AUGUST 2019LOCAL MARKET**MONEY**

Overnight call-money traded at 7.78% - 7.83% on Monday. Net market liquidity with the Central Bank was a Surplus of Rs. 14.18 Bn on Monday from a Surplus of Rs. 7.20 Bn on Friday.

USD/LKR MARKET VOLUMES

VOLUME (USD Mn)

AS AT 19.08.2019

Cash	22.21
Tom	6.45
Spot	23.00
Forwards	37.50

MARKET LEVELS

Cash	176.95/177.95
Spot	177.00/178.00

INTERNATIONAL MARKET**FOREX**

The dollar held near a three-week high on Tuesday, as expectations global economies would unleash fresh stimulus and an improvement in appetite for riskier assets lifted yields on U.S. government bonds.

Yields on benchmark U.S. Treasuries pulled away from three-year lows as investors tip-toed back into riskier assets, lured by hopes for stimulus in major economies such as Germany and China, which eased more recent global recession fears.

Investor focus on Tuesday will shift to the first setting of China's new lending benchmark under its recent interest rate reforms.

Risk appetite in global markets has been boosted this week by the prospect of Germany ditching its balanced budget rule to boost spending and China's interest rate reform plan, which is expected to lower corporate borrowing costs.

The greenback traded little changed at 106.620 yen following three straight sessions of gains, having moved away from a seven-month low near 105.000 reached last week.

Against the Swiss franc, a currency sought in times of market turmoil and political tensions along with the yen, the dollar hovered near a two-week high of 0.9820 franc scaled overnight.

The euro was flat at \$1.1081, caught near a two-week trough of \$1.1066 set on Friday.

The Australian dollar dipped 0.1% to \$0.6757 against the broadly higher dollar.

COMMODITIES

Gold prices held steady on Tuesday after posting their biggest daily decline in a month in the previous session, plummeting below a key psychological level of \$1,500 an ounce. Crude oil prices slipped on Tuesday, but losses were limited as equity markets rallied and as traders hoped Sino-U.S. trade tensions would ease.

ECONOMIC INDICATORS

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

3 Months	7.80
6 Months	Rejected
12 Months	8.17

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

2 Year	8.75
3Year	8.95
4 Year	9.55
5 Year	9.75
6 Year	9.90
7 Year	10.03
8 Year	10.10

LIBOR

	USD	EUR	JPY	GBP
1 Month	2.17	(0.43)	(0.11)	0.71
3 Months	2.13	(0.44)	(0.10)	0.76
6 Months	2.01	(0.45)	(0.04)	0.80
12 Months	1.94	(0.42)	0.02	0.86

SLIBOR (19/08/2019)

Overnight	7.81%
1 Week	8.02%
1 Month	8.11%
3 Months	8.76%
6 Months	10.14%

AWPLR %

Week ending 16/08	10.77
Week ago	10.52
Year ago	11.41

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

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