

TREASURY COMMENTARY – 23 AUGUST 2019

LOCAL MARKET

MONEY

Overnight call-money traded at 7.60% - 7.80% on Thursday. Net market liquidity with the Central Bank was a Surplus of Rs. 22.69 Bn on Thursday from a Surplus of Rs. 22.50 Bn on Wednesday.

USD/LKR MARKET VOLUMES

VOLUME (USD Mn)

AS AT 22.08.2019

Cash	1.75
Tom	0.35
Spot	12.22
Forwards	37.50

MARKET LEVELS

Cash	179.15/180.15
Spot	179.20/180.20

INTERNATIONAL MARKET

FOREX

The dollar held steady on Friday on expectations U.S. Federal Reserve Chairman Jerome Powell would stick with his message that the central bank has not entered a prolonged monetary easing cycle.

Powell gives a highly-awaited speech later Friday at a meeting of central bankers, but doubts have emerged after two Fed officials said they saw no reason to cut interest rates again without new signs of economic weakness.

In Asian currency markets, the New Zealand dollar jumped after the Pacific nation's central bank chief said he was "pleased" with where interest rates were at, hosing down expectations of more immediate rate cuts after this month's aggressive easing.

The New Zealand dollar rose 0.4% to \$0.6391 and 0.4% to 68.06 yen. Reserve Bank of New Zealand Governor Adrian Orr told Bloomberg TV he can afford to wait on monetary policy after stunning investors earlier this month with a sharp 50-basis-point rate cut.

Currency markets have in recent months been driven by global central banks' shift to much more accommodative policy settings as economic demand slows and trade disputes intensify.

The dollar was little changed at 106.48 yen on Friday. The dollar fell 0.2% versus the yen on Thursday following slightly weak data on the U.S. manufacturing sector.

For the week, the greenback was on course for a 0.1% gain versus the yen.

The dollar index against a basket of six major currencies was little changed at 98.170.

COMMODITIES

Gold prices slipped on Friday, but held near the key \$1,500 level amid trade uncertainties and ahead of U.S. Fed chair's speech for clues on future rate cuts. Oil prices clawed back the previous day's losses on Friday, with Brent nudging above \$60 a barrel, as tighter supplies from key producers offset slowing demand growth while investors await clues from the Federal Reserve on U.S. monetary policy.

ECONOMIC INDICATORS

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

3 Months	7.84
6 Months	7.89
12 Months	8.31

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

2 Year	8.90
3Year	9.25
4 Year	9.65
5 Year	10.00
6 Year	10.00
7 Year	10.05
8 Year	10.05

LIBOR

	USD	EUR	JPY	GBP
1 Month	2.16	(0.43)	(0.10)	0.70
3 Months	2.14	(0.45)	(0.10)	0.76
6 Months	2.02	(0.45)	(0.04)	0.80
12 Months	1.95	(0.41)	0.02	0.85

SLIBOR (22/08/2019)

Overnight	7.80%
1 Week	8.01%
1 Month	8.10%
3 Months	8.76%
6 Months	10.13%

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	2.2	3.4
CCPI (YoY)	5.0	3.8	3.3	5.4
(12M W.Av)	4.2	4.2	4.0	5.6

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