

## TREASURY COMMENTARY – 11 SEPTEMBER 2019

### LOCAL MARKET

#### **MONEY**

Overnight call-money traded at 7.35% - 7.45% on Tuesday. Net market liquidity with the Central Bank was a Deficit of Rs.12.66 Bn on Tuesday from a Deficit of Rs.9.58 Bn on Monday.

#### **USD/LKR MARKET VOLUMES**

VOLUME (USD Mn)

AS AT 10.09.2019

Cash	19.45
Tom	9.00
Spot	42.65
Forwards	48.00

#### **MARKET LEVELS**

Cash	179.85/180.85
Spot	179.90/180.90

### INTERNATIONAL MARKET

#### **FOREX**

Fragile investor confidence supported the dollar and weakened the yen on Wednesday but currency markets kept to tight ranges ahead of series of major central bank meetings over the next week.

Investor focus for now is centered on the European Central Bank's meeting on Thursday, which is expected to push interest rates even further into negative territory.

The ECB could set the tone for upcoming rate-setting decisions by the U.S. Federal Reserve and the Bank of Japan next week, and for the broader global risk appetite.

On the other hand, concerns have been building that global central banks are reaching the limits of their stimulus options, especially those with negative interest rates.

For now, a cautious risk-on mood has prevailed after political crises that had hobbled markets, from Britain to Hong Kong, abated, taking the shine off safe-haven assets.

The euro, which has shed 3% since June, was flat at \$1.1047. The dollar was flat against the Australian dollar at \$0.6860 and steady on the yen and the New Zealand dollar.

And the pound has held on to last week's gains after British parliament passed a law compelling Prime Minister Boris Johnson to seek a delay to the Oct. 31 date for leaving the European Union. Sterling last traded at \$1.2353.

#### **COMMODITIES**

Gold prices edged up on Wednesday, but hovered near a four-week low hit in the previous session as risk appetite improved amid hopes of an interest rate cut by the European Central Bank and fiscal stimulus measures from Germany, Europe's largest economy. Oil prices rose on Wednesday after an industry report showed that crude stockpiles in the U.S. fell last week by more than twice the amount that analysts had forecast.

## ECONOMIC INDICATORS

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

<b>3 Months</b>	7.61
<b>6 Months</b>	7.75
<b>12 Months</b>	8.36

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

<b>2 Year</b>	8.65
<b>3Year</b>	9.05
<b>4 Year</b>	9.75
<b>5 Year</b>	10.10
<b>6 Year</b>	10.15
<b>7 Year</b>	10.15
<b>8 Year</b>	10.15

### LIBOR

	USD	EUR	JPY	GBP
<b>1 Month</b>	2.04	(0.50)	(0.14)	0.71
<b>3 Months</b>	2.13	(0.48)	(0.09)	0.76
<b>6 Months</b>	2.03	(0.45)	(0.04)	0.81
<b>12 Months</b>	1.94	(0.38)	0.02	0.89

### SLIBOR (10/09/2019)

<b>Overnight</b>	7.43%
<b>1 Week</b>	7.59%
<b>1 Month</b>	7.73%
<b>3 Months</b>	8.45%
<b>6 Months</b>	9.76%

### AWPLR %

<b>Week ending 06/09</b>	10.60
<b>Week ago</b>	10.66
<b>Year ago</b>	11.67

### AWDR %

<b>Aug 2019</b>	8.73
<b>July 2019</b>	8.88
<b>Year ago</b>	8.66

### INFLATION (%)

	June 2019	July 2019	August 2019	Year ago
<b>NCPI (YoY)</b>	2.1	2.2	-	3.4
<b>CCPI (YoY)</b>	3.8	3.3	3.4	5.9
<b>(12M W.Av)</b>	4.2	4.0	3.8	5.6

### TREASURY DIVISION

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