

## TREASURY COMMENTARY – 12 SEPTEMBER 2019

### LOCAL MARKET

#### MONEY

Overnight call-money traded at 7.40% - 7.45% on Wednesday. Net market liquidity with the Central Bank was a Surplus of Rs.5.30 Bn on Wednesday from a Deficit of Rs.12.66 Bn on Tuesday.

#### USD/LKR MARKET VOLUMES

VOLUME (USD Mn)

AS AT 11.09.2019

Cash	13.50
Tom	12.50
Spot	16.25
Forwards	23.45

#### MARKET LEVELS

Cash	179.85/180.85
Spot	179.90/180.90

### INTERNATIONAL MARKET

#### FOREX

An exchange of olive branches between Washington and Beijing on trade pushed the dollar to a six-week high against the safe-haven yen on Thursday and also supported the risk-sensitive currencies of China, Australia and South Korea.

The world's two largest economies granted concessions in their heated tariff dispute on Wednesday ahead of planned talks. China exempted a basket of U.S. goods from its own tariffs while U.S. President Donald Trump said he would delay a scheduled tariff hike by two-weeks in October. The thaw in hostilities supported broader risk appetite in global financial markets with the Chinese yuan jumping 0.2% to 7.0861 in offshore trade, its highest in three weeks.

The trade-exposed Korean won hit a six-week peak of 1,185.67 per dollar. The Australian dollar rose 0.2%. The yen fell almost 0.2% to 108.00 per dollar, its weakest since Aug. 1. The other major driver for currency markets on Thursday is a meeting of the European Central Bank, where expectations of easing have weakened the euro. The single currency has shed 3.5% since June and fell to a one-week low of \$1.0983 overnight. It was steady at \$1.1010 in Asian morning trade. With growth slowing, the ECB has all but promised more support for the economy in one of the most closely watched meetings in years. The ECB is almost certain to cut rates, promise to keep rates low for longer and provide banks relief from the side effects of negative rates. However, new asset purchases, priced in by markets, are not a done deal with some conservative policymakers opposing the move. Sterling also dipped after a Scottish court ruled on Wednesday that Prime Minister Boris Johnson's suspension of the British Parliament was unlawful, prompting immediate calls for lawmakers to return to work as the government and Parliament battle over the future of Brexit. The British pound fell as much as 0.4% to \$1.2313 overnight, and hovered around \$1.2330 in Asian hours

#### COMMODITIES

Gold prices fell on Thursday as equities gained on improving risk sentiment buoyed by signs of gradual de-escalation in U.S.-China trade tensions, while investors eyed European Central Bank's meeting for cues on monetary policy easing. Oil prices jumped on Thursday, bouncing back from heavy losses in the previous session, buoyed by moves to ease trade tensions between Washington and Beijing and a drop in U.S. crude inventories to the lowest in nearly a year.

## 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>	8.85
<b>3Year</b>	9.20
<b>4 Year</b>	9.90
<b>5 Year</b>	10.32
<b>6 Year</b>	10.40
<b>7 Year</b>	10.40
<b>8 Year</b>	10.50

### LIBOR

	USD	EUR	JPY	GBP
<b>1 Month</b>	2.04	(0.50)	(0.15)	0.71
<b>3 Months</b>	2.13	(0.47)	(0.09)	0.77
<b>6 Months</b>	2.04	(0.46)	(0.05)	0.82
<b>12 Months</b>	1.97	(0.34)	0.02	0.90

### SLIBOR (11/09/2019)

<b>Overnight</b>	7.45%
<b>1 Week</b>	7.58%
<b>1 Month</b>	7.72%
<b>3 Months</b>	8.47%
<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

Level-11

**Tel: FX: 2664843-6 (Priyantha/Chaaminda/Chandika/Ramesha) Fax: 2664854**

**Interest Rates: 2664850-3 (Priyantha / Thayalan/ Sanka)**

**E-mail: [forex@hnb.lk](mailto:forex@hnb.lk) Fitch Rating: AA-(lka.)**