

TREASURY COMMENTARY – 17 SEPTEMBER 2019

LOCAL MARKET

MONEY

Overnight call-money traded at 7.40% - 7.50% on Monday. Net market liquidity with the Central Bank was a Surplus of Rs.6.44 Bn on Monday from a Surplus of Rs.2.91 Bn on Thursday.

USD/LKR MARKET VOLUMES

VOLUME (USD Mn)

AS AT 16.09.2019

Cash	18.25
Tom	7.75
Spot	13.30
Forwards	25.50

MARKET LEVELS

Cash	179.95/180.95
Spot	180.00/181.00

INTERNATIONAL MARKET

FOREX

Oil exporter currencies held firm while the dollar found broad support as recent attacks on Saudi oil facilities and the threat of military action in the region kept crude prices elevated.

Attacks on crude facilities in Saudi Arabia on the weekend boosted oil prices by nearly 15% on Monday, with international benchmark Brent logging its biggest jump in over 30 years. On Tuesday, prices pulled back slightly but remained at lofty levels.

U.S. President Donald Trump said on Monday it looked like Iran was behind the attacks but stressed he did not want to go to war. Iran has rejected U.S. charges it was behind the drone strikes on Saturday.

Reactions among major currencies were more muted, with the yen and the Swiss franc quickly giving up early gains made on Monday on knee-jerk safe-haven buying.

Against the yen the dollar traded at 108.11 yen, just below last week's high of 108.265, its highest level since Aug. 1.

The euro stood at \$1.10045, having shed 0.6% on Monday to the dollar. The dollar index rose almost 0.5% on Monday and last stood at 98.624.

Another factor boosting the greenback was some exiting of bearish dollar bets in advance of the U.S. Federal Reserve's two-day policy meeting. Traders widely expect the Fed will cut interest rates by a quarter of a percentage point this week.

COMMODITIES

Gold prices held steady on Tuesday as traders broadly remained on the sidelines ahead of an expected rate cut from the U.S. Federal Reserve this week. Oil fell more than 1% on Tuesday as the market hung on tenterhooks following attacks on Saudi Arabian crude facilities that cut the kingdom's production in half and sent prices soaring by the most in decades.

ECONOMIC INDICATORS

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

3 Months	7.61
6 Months	7.75
12 Months	8.36

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

2 Year	8.85
3Year	9.10
4 Year	9.85
5 Year	10.28
6 Year	10.35
7 Year	10.40
8 Year	10.42

LIBOR

	USD	EUR	JPY	GBP
1 Month	2.02	(0.48)	(0.14)	0.71
3 Months	2.13	(0.42)	(0.08)	0.78
6 Months	2.07	(0.39)	(0.04)	0.84
12 Months	2.04	(0.32)	0.04	0.96

SLIBOR (16/09/2019)

Overnight	7.45%
1 Week	7.59%
1 Month	7.73%
3 Months	8.48%
6 Months	9.74%

AWPLR %

Week ending 12/09	10.64
Week ago	10.60
Year ago	11.53

AWDR %

Aug 2019	8.73
July 2019	8.88
Year ago	8.66

INFLATION (%)

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

TREASURY DIVISION

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