

## TREASURY COMMENTARY – 18 SEPTEMBER 2019

### LOCAL MARKET

#### MONEY

Overnight call-money traded at 7.40% - 7.50% on Tuesday. Net market liquidity with the Central Bank was a Surplus of Rs.13.13 Bn on Tuesday from a Surplus of Rs.6.44 Bn on Monday.

#### USD/LKR MARKET VOLUMES

VOLUME (USD Mn)

AS AT 17.09.2019

Cash	1.50
Tom	1.00
Spot	16.01
Forwards	37.00

#### MARKET LEVELS

Cash	180.10/181.10
Spot	180.15/181.15

### INTERNATIONAL MARKET

#### FOREX

The dollar traded near a seven-week high versus the yen as oil markets recovered from a supply shock, but the focus is firmly on a U.S. Federal Reserve meeting later on Wednesday that is widely expected to deliver an interest rate cut. The dollar traded at 108.10 yen on Wednesday, close to a seven-week high of 108.37 yen.

Sterling traded near a six-week high versus the dollar as some speculators reduced excessive bets on a decline in the pound, but sentiment remained weak due to uncertainty over how the UK will exit the European Union. The British pound was quoted at \$1.2497, holding onto a 0.6% gain from Tuesday, when it briefly touched the highest since July 19.

Major currencies are likely to trade in narrow ranges before the Fed's meeting. Fed Reserve Chairman Jerome Powell has clearly broadcast his intention to cut rates, so some analysts warn that the dollar could actually bounce if the Fed eases policy as expected.

Economists and analysts widely expect the Fed to cut its benchmark rate for the second time this year by 25 basis points to 1.75%-2.00% at a meeting ending Wednesday to counter risks posed by the U.S.-China trade war.

Elsewhere in the currency market, the euro stood at \$1.1072, flat so far in Asia.

The Australian dollar fetched \$0.68605, down 0.07% in early trade.

The dollar index measuring the greenback against a basket of six major currencies fell 0.02% to 98.242.

#### COMMODITIES

Gold prices were little changed on Wednesday as investors maintained a cautious stance ahead of the conclusion of U.S. Federal Reserve's two-day meeting, where policymakers are expected to cut interest rates. Oil prices extended their losses from the previous session on Wednesday, after Saudi Arabia's energy minister said the Kingdom will restore lost oil production by the end of the month.

## 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>	8.75
<b>3Year</b>	9.15
<b>4 Year</b>	9.85
<b>5 Year</b>	10.30
<b>6 Year</b>	10.35
<b>7 Year</b>	10.40
<b>8 Year</b>	10.45

### LIBOR

	USD	EUR	JPY	GBP
<b>1 Month</b>	2.04	(0.49)	(0.13)	0.71
<b>3 Months</b>	2.14	(0.42)	(0.08)	0.78
<b>6 Months</b>	2.07	(0.39)	(0.04)	0.85
<b>12 Months</b>	2.06	(0.32)	0.04	0.96

### SLIBOR (17/09/2019)

<b>Overnight</b>	7.45%
<b>1 Week</b>	7.59%
<b>1 Month</b>	7.73%
<b>3 Months</b>	8.48%
<b>6 Months</b>	9.73%

### AWPLR %

<b>Week ending 12/09</b>	10.64
<b>Week ago</b>	10.60
<b>Year ago</b>	11.53

### 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.)**