

TREASURY COMMENTARY – 03 OCTOBER 2019

LOCAL MARKET

MONEY

Overnight call-money traded at 7.40% - 7.50% on Wednesday. Net market liquidity with the Central Bank was a Surplus of Rs.17.54 Bn on Wednesday from a Surplus of Rs.23.85 Bn on Tuesday.

USD/LKR MARKET VOLUMES

VOLUME (USD Mn)

AS AT 02.10.2019

Cash	5.00
Tom	6.34
Spot	14.50
Forwards	10.00

MARKET LEVELS

Cash	181.45/182.45
Spot	181.50/182.50

INTERNATIONAL MARKET

FOREX

The dollar nursed losses on Thursday, hitting near one-week lows against the euro and yen, amid signs of a slowdown in U.S. economic growth and a deepening of global trade tensions. The greenback fell overnight after data showed hiring by U.S. private employers had slowed in September, the latest indicator that the Sino-U.S. trade dispute is hurting the world's largest economy. The weaker-than-expected numbers follow a separate release on Tuesday that showed a sharp decline in factory activity that sent stock markets and bond yields tumbling. In Asian hours, investors headed for safety. Stocks fell. Gold and the Swiss franc inched higher.

The dollar weakened slightly to 107.13 Japanese yen and \$1.0962 per euro, both only a fraction above a one-week lows touched overnight. It held close to a one-week low against the New Zealand dollar at \$0.6264 per kiwi and weakened a little against the beaten-up Australian dollar to \$0.6714. The weakness in the U.S. follows a slew of poor economic data from Europe and signs of a hastening slowdown in China. Adding to concerns, the United States won approval on Wednesday to levy tariffs on \$7.5 billion worth of European goods over illegal subsidies handed to Airbus, threatening to trigger a transatlantic trade war. The next readings on global economic health will be European August retail sales and a German service sector survey due on Thursday, and September's U.S. non-manufacturing ISM survey due today. Against a basket of currencies the dollar was flat at 99.022. The pound was steady at \$1.2302 after fluctuating in a tight range as British Prime Minister Boris Johnson proposed an all-island regulatory zone in Ireland in his final pitch for a Brexit deal before the end of the month. Sterling's outlook, however, remained uncertain after a cool response to the proposal from Brussels, leaving a no-deal exit from the European Union on Oct. 31 a real possibility. "The question appears to be whether there is enough middle ground for the two sides to come to some sort of agreement by the time of the EU Summit on Oct. 17," said Rodrigo Catril, senior FX strategist at National Australia Bank in Sydney.

COMMODITIES

Oil futures rebounded on Thursday, reversing losses earlier in the day, as fears over the worsening global economic outlook that hit prices hard in the previous session gave way to modest hopes for progress in resolving the U.S.-China trade war. Gold prices extended their gains on Thursday as weaker-than-expected U.S. jobs data reinforced global economic slowdown fears and raised expectations of further monetary policy easing by the U.S. Federal Reserve.

ECONOMIC INDICATORS

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

3 Months	7.62
6 Months	7.75
12 Months	8.41

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

2 Year	8.75
3Year	9.30
4 Year	9.90
5 Year	10.25
6 Year	10.30
7 Year	10.40
8 Year	10.40

LIBOR

	USD	EUR	JPY	GBP
1 Month	2.01	(0.51)	(0.12)	0.72
3 Months	2.09	(0.45)	(0.10)	0.76
6 Months	2.06	(0.42)	(0.05)	0.83
12 Months	2.04	(0.35)	0.03	0.91

SLIBOR (02/10/2019)

Overnight	7.45%
1 Week	7.57%
1 Month	7.76%
3 Months	8.33%
6 Months	9.66%

AWPLR %

Week ending 27/09	10.49
Week ago	10.56
Year ago	11.83

AWDR %

Sep 2019	8.51
Aug 2019	8.73
Year ago	8.69

INFLATION (%)

	July 2019	August 2019	September 2019	Year ago
NCPI (YoY)	2.2	3.4	-	2.5
CCPI (YoY)	3.3	3.4	5.0	4.3
(12M W.Av)	4.0	3.8	3.9	5.4

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 Fitch Rating: AA-(Ika.)