

TREASURY COMMENTARY – 18 OCTOBER 2019

LOCAL MARKET

MONEY

Overnight call-money traded at 7.50% - 7.63% on Thursday. Net market liquidity with the Central Bank was a Surplus of Rs.4.58 Bn on Thursday from a Surplus of Rs.6.90 Bn on Wednesday.

USD/LKR MARKET VOLUMES

VOLUME (USD Mn)

AS AT 17.10.2019

Cash	8.65
Tom	13.45
Spot	31.35
Forwards	36.50

MARKET LEVELS

Cash	181.50/182.50
Spot	181.55/182.55

INTERNATIONAL MARKET

FOREX

The British pound traded near a five-month high against the dollar and the euro after British Prime Minister Boris Johnson and European Union leaders agreed a new deal for Britain to exit the bloc.

Sterling's gains on the dollar helped push the greenback to a five-month low versus the euro and a three-week low against the Swiss franc.

The pound traded at \$1.2870 in Asia on Friday, close to a five-month high of \$1.2988 reached on Thursday after EU leaders unanimously backed the new Brexit deal with Britain.

Against the euro, sterling traded at 86.42 pence, near a five-month high of 85.77 pence.

For the week, the pound was on course for a 1.7% gain versus the dollar and a 0.9% increase against the common currency.

The dollar traded at 0.9875 Swiss franc, close to the lowest since Sept. 25 and on course for its biggest weekly decline since Aug. 9.

The initial relief at securing the long-awaited Brexit deal could be brief, however, because the prime minister still needs to sell the agreement to sceptical lawmakers when parliament sits on Saturday.

Once Britain does leave the EU, its economic growth is expected to slow, which is likely to be a negative for sterling in the longer term, analysts warn.

The yuan held steady against the dollar in offshore trade before the release of China's GDP data. Economists have forecast the economy will grow at the weakest pace in more than 27 years in the third quarter due to a costly trade war with the United States.

COMMODITIES

Gold prices held steady on Friday after Britain managed to eke out a deal for its exit from the European Union, lifting risk appetite, while a sluggish dollar provided support to the metal. Oil prices were stable on Friday ahead of data that analysts say could show China, the world's largest oil consumer, just recorded its weakest quarter of economic growth in nearly three decades, dragged down by a trade dispute with the United States.

ECONOMIC INDICATORS

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

3 Months	7.56
6 Months	7.69
12 Months	8.35

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

2 Year	8.55
3Year	9.12
4 Year	9.55
5 Year	9.93
6 Year	10.20
7 Year	10.30
8 Year	10.35

LIBOR

	USD	EUR	JPY	GBP
1 Month	1.87	(0.50)	(0.10)	0.71
3 Months	2.00	(0.43)	(0.10)	0.78
6 Months	1.98	(0.40)	(0.05)	0.86
12 Months	1.99	(0.31)	0.03	0.95

SLIBOR (17/10/2019)

Overnight	7.53%
1 Week	7.57%
1 Month	7.81%
3 Months	8.47%
6 Months	9.61%

AWPLR %

Week ending 11/10	10.48
Week ago	10.46
Year ago	11.86

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

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