

TREASURY COMMENTARY – 10 DECEMBER 2019LOCAL MARKET**MONEY**

Overnight call-money traded at 7.50% - 7.55% on Monday. Net market liquidity with the Central Bank was a Surplus of Rs.19.29 Bn on Monday from a Surplus of Rs.9.52 Bn on Friday.

USD/LKR MARKET VOLUMES

VOLUME (USD Mn)

AS AT 09.12.2019

Cash	9.50
Tom	2.35
Spot	16.95
Forwards	10.00

MARKET LEVELS

Cash	180.70/181.70
Spot	180.75/181.75

INTERNATIONAL MARKET**FOREX**

The dollar and yen held the safe-haven high ground on Tuesday, with investors on edge ahead of a looming tariff deadline, the UK election and upcoming central bank meetings in Europe and the United States. Front of mind is whether Washington will go ahead with a fresh round of tariffs on Sunday, or whether a deal with China can be reached before then.

White House economic adviser Larry Kudlow said on Friday that the Dec. 15 deadline is still in place, Against the Japanese yen and the euro the greenback found support after last week's declines, steadying at 108.56 yen and \$1.1064 per euro. Against a basket of currencies, the dollar last traded at 97.644. The Australian and New Zealand dollars were marginally stronger at \$0.6824 and \$0.6548, respectively. The U.S. dollar's recovery after weakness last week has been supported by a surge in hiring in November.

That has investors almost certain that the U.S. Federal Reserve will hold rates steady on Wednesday, which has increased investors' focus on finding a trade-war truce. China said on Monday it hoped to make a trade deal with the United States as soon as possible, though gave no new details or insight into talks' progress. Elsewhere, the European Central Bank is likewise expected to keep interest rates steady, while the pound's fate is in the hands of voters at Thursday's British election. Sterling sat at \$1.3144, just below a seven-month high hit last week, as polls pointed to a Conservative victory decisive enough to secure a parliamentary majority.

"If the UK bookies' prices are a reasonable guide to market expectations for Thursday's election, it is hard to see much more upside for GBP on the outcome," said Adam Cole, chief currency strategist at RBC Capital Markets.

COMMODITIES

Oil prices dropped on Tuesday for a second straight session as the cons of a slowing global demand outlook outweighed the pros of OPEC's agreement with associated producers at the end of last week to deepen crude output cuts in early 2020. Gold prices held steady on Tuesday, ahead of a policy meeting by the U.S. central bank, while investors awaited clarity on whether a next round of U.S. tariffs on Chinese imports will take effect this weekend.

ECONOMIC INDICATORS

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

3 Months	7.45
6 Months	7.60
12 Months	8.22

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

2 Year	8.55
3Year	8.85
4 Year	9.55
5 Year	9.80
6 Year	9.95
7 Year	10.00
8 Year	10.02

LIBOR

	USD	EUR	JPY	GBP
1 Month	1.72	(0.51)	(0.19)	0.71
3 Months	1.89	(0.44)	(0.07)	0.78
6 Months	1.89	(0.40)	0.00	0.86
12 Months	1.92	(0.29)	0.11	0.97

SLIBOR (09/12/2019)

Overnight	7.55%
1 Week	7.60%
1 Month	7.83%
3 Months	8.42%
6 Months	9.62%

AWPLR %

Week ending 06/12	10.30
Week ago	10.15
Year ago	11.95

AWDR %

Nov 2019	8.27
Oct 2019	8.37
Year ago	8.77

INFLATION (%)

	September	October 2019	November 2019	Year ago
NCPI (YoY)	5.0	5.6	-	0.1
CCPI (YoY)	5.0	5.4	4.4	3.3
(12M W.Av)	3.9	4.0	4.1	4.6

TREASURY DIVISION

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