

## TREASURY COMMENTARY – 13 DECEMBER 2019

### LOCAL MARKET

#### MONEY

Overnight call-money traded at 7.48% - 7.55% on Thursday. Net market liquidity with the Central Bank was a Surplus of Rs.9.62 Bn on Thursday from a Surplus of Rs.19.58 Bn on Tuesday.

#### USD/LKR MARKET VOLUMES

VOLUME (USD Mn)

AS AT 12.12.2019

Cash	15.60
Tom	13.05
Spot	29.49
Forwards	21.00

#### MARKET LEVELS

Cash	180.25/181.25
Spot	180.30/181.30

### INTERNATIONAL MARKET

#### FOREX

The pound hit multi-year highs against peers on Friday as early UK election results pointed to a convincing Conservative win, which is expected to clear the Brexit political gridlock that has hounded Britain's markets for years. The lifting of one major cloud hanging over currency markets came amid signs another might be clearing with reports of a breakthrough in Sino-U.S. trade negotiations pushing the Chinese yuan to a four-month top and nudging the Australian and New Zealand dollars higher. The early UK poll results suggest the election will relieve almost four years of uncertainty about when Brexit would take place. Against the euro, sterling rose around 2% to as high as 82.80 pence, the highest since July 2016, which is shortly after the Brexit referendum that hammered the currency. The pound surged more than 2% to reach \$1.3516, the highest since May 2018, before settling at \$1.3482. Sterling had plunged more than 10% in the immediate aftermath of Britain's vote to leave the European Union in June 2016, while \$2 trillion was wiped off world markets. In Asian currencies, the yuan gapped higher and the Japanese yen fell after a source told Reuters that the United States and China have agreed some tariff reductions and a delay in U.S. tariffs on Chinese goods set to go effect on Dec. 15. A successful scaling back of trade tension would relieve one major headwind to global economic growth, which suggests lower demand for the safe-haven yen. Avoiding new tariffs should also be a boost to China's slowing economy, which should draw more investors to the yuan. In the onshore market, the Chinese yuan surged to 6.9570, the strongest level since Aug 2<sup>nd</sup>. The Australian dollar rose 0.16% to \$0.6923 after briefly touching the highest since July. The New Zealand dollar also jumped to \$0.6636 to reach the highest since July. As part of the trade deal, China has also agreed to purchase \$50 billion of U.S. agricultural goods next year, sources familiar with the talks told Reuters. Talks between the world's two economic superpowers have been fractious, so investors are focused on official confirmation of the deal from both sides to be sure that an agreement is actually in place. The trade dispute between the United States and China over Chinese trading practices has dragged on for almost two years, and is one of the biggest risks to the global economy.

#### COMMODITIES

Gold prices fell on Friday after sources said Washington and Beijing had reached an interim trade deal and averted a fresh round of U.S. tariffs, boosting appetite for riskier assets. Oil prices extended gains on Friday, scaling three-month highs as the United States and China moved closer to a resolution to the 18-month trade war between the world's two biggest economies that has raised big questions about global demand for crude.

## ECONOMIC INDICATORS

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

<b>3 Months</b>	7.45
<b>6 Months</b>	7.65
<b>12 Months</b>	8.23

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

<b>2 Year</b>	8.65
<b>3Year</b>	8.90
<b>4 Year</b>	9.45
<b>5 Year</b>	9.80
<b>6 Year</b>	9.90
<b>7 Year</b>	10.00
<b>8 Year</b>	10.02

### LIBOR

	USD	EUR	JPY	GBP
<b>1 Month</b>	1.74	(0.51)	(0.20)	0.70
<b>3 Months</b>	1.89	(0.44)	(0.07)	0.78
<b>6 Months</b>	1.89	(0.39)	0.00	0.86
<b>12 Months</b>	1.94	(0.29)	0.10	0.96

### SLIBOR (12/12/2019)

<b>Overnight</b>	7.55%
<b>1 Week</b>	7.60%
<b>1 Month</b>	7.83%
<b>3 Months</b>	8.46%
<b>6 Months</b>	9.62%

### AWPLR %

<b>Week ending 06/12</b>	10.30
<b>Week ago</b>	10.15
<b>Year ago</b>	11.95

### AWDR %

<b>Nov 2019</b>	8.27
<b>Oct 2019</b>	8.37
<b>Year ago</b>	8.77

### INFLATION (%)

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

### TREASURY DIVISION

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