

TREASURY COMMENTARY – 22 JANUARY 2020

LOCAL MARKET

MONEY

Overnight call-money traded at 7.45% - 7.53% on Tuesday. Net market liquidity with the Central Bank was a Surplus of Rs.28.56 Bn on Tuesday from a Surplus of Rs.26.69 Bn on Monday.

FIXED INCOME SECURITIES

Rs. 25,500 million Treasury bills are to be issued through an auction today. Details are as follows.

Maturity Period	Amount Offered (Rs. Mn)
91 days	1,500
182 days	7,500
364 days	16,500

USD/LKR MARKET VOLUMES

VOLUME (USD Mn)

AS AT 21.01.2020

Cash	31.75
Tom	13.00
Spot	45.35
Forwards	73.50

MARKET LEVELS

Cash	180.90/181.90
Spot	180.95/181.95

INTERNATIONAL MARKET

FOREX

The yen was supported while the yuan traded lower on Wednesday losing 0.6%, its biggest fall in more than a month, as investors tried to assess the risk of the outbreak of a new virus in China disrupting the country's economy and trade partners.

The virus, has spread to cities including Beijing and Shanghai as the number of patients in China more than tripled. More cases were also reported outside China, including the United States.

Against the yen, the U.S. dollar slipped to 109.86 yen from Tuesday's high of 110.23.

The Australian dollar, often used as a proxy on the Chinese economy, fetched \$0.6844, near its lowest levels in 10 weeks.

The euro stood at \$1.1083, after dropping slightly, while the Sterling traded at \$1.3050, having gained on Tuesday after data showed the British economy created jobs at its strongest rate in nearly a year in the three months to November.

The strong data slightly hurt expectations of an interest rate cut by the Bank of England at the end of this month, though markets are still pricing in about a 60% chance of a 0.25 percentage point cut.

COMMODITIES

Gold prices fell on Wednesday, as the dollar firmed and investors assessed the risk of a global epidemic from an outbreak from China that could have an impact on economic growth. Oil prices edged lower on Wednesday, extending the previous session's drops, as investors continue to signal aside the impact of almost all of Libya's crude production being off-line amid plentiful supplies elsewhere.

ECONOMIC INDICATORS

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

3 Months	Rejected
6 Months	8.13
12 Months	8.58

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

2 Year	8.70
3Year	9.15
4 Year	9.48
5 Year	9.60
6 Year	9.65
7 Year	9.70
8 Year	9.80

LIBOR

	USD	EUR	JPY	GBP
1 Month	1.65	(0.50)	(0.08)	0.63
3 Months	1.80	(0.42)	(0.04)	0.69
6 Months	1.82	(0.36)	0.01	0.74
12 Months	1.92	(0.26)	0.12	0.80

SLIBOR (21/01/2020)

Overnight	7.50%
1 Week	7.60%
1 Month	7.90%
3 Months	8.42%
6 Months	9.50%

AWPLR %

Week ending 17/01	9.65
Week ago	9.76
Year ago	11.82

AWDR %

Dec 2019	8.20
Nov 2019	8.27
Year ago	8.81

INFLATION (%)

		October 2019	November 2019	December 2019	Year ago
NCPI	(YoY)	5.6	4.1	6.2	0.4
CCPI	(YoY)	5.4	4.4	4.8	2.8
	(12M W.Av)	4.0	4.1	4.3	4.3

Inflation in December measured by the National Consumer Price Index (NCPI) recorded at 6.2 percent from 4.1 percent.

TREASURY DIVISION

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