

TREASURY COMMENTARY – 29 JANUARY 2020

LOCAL MARKET

MONEY

Overnight call-money traded at 7.45% - 7.50% on Tuesday. Net market liquidity with the Central Bank was a Surplus of Rs.33.52 Bn on Tuesday from a Surplus of Rs.32.50 Bn on Monday.

USD/LKR MARKET VOLUMES

VOLUME (USD Mn)

AS AT 28.01.2020

Cash	10.00
Tom	4.50
Spot	23.75
Forwards	18.50

MARKET LEVELS

Cash	181.00/182.00
Spot	181.05/182.05

INTERNATIONAL MARKET

FOREX

Risk currencies steadied on Wednesday as investors took stock of the economic damage from the outbreak of the coronavirus originating in China, with focus on Hong Kong shares that will resume trading later in the day after the Lunar New Year break. As countries step up efforts to contain the spread of the deadly new virus, flight-to-quality bids in safe-haven currencies such as the yen and the Swiss franc subsided for now. The Australian dollar fetched \$0.6758, steady on the day and a tad above from Tuesday's 3 1/2-month low of \$0.6737. The offshore yuan traded flat at 6.965 yuan per dollar, off Monday's 6.9900 to the dollar, which was its weakest in almost a month. While mainland Chinese markets will remain shut this week, markets will open in Hong Kong, where a lot of Chinese firms are listed, on Wednesday. The euro stood at \$1.1021, having hit a two-month low of \$1.0998 in U.S. trade on Tuesday. That helped to lift the dollar index to a two-month high. The yen traded at 109.16 yen per dollar, off Monday's three-week high of 108.73. It posted its first loss in five days on Tuesday. President Xi Jinping said on Tuesday that China was sure of defeating the "devil" coronavirus while international alarm was rising as the outbreak spread across the world. of policy support from the world's central banks. The U.S. Federal Reserve has cut interest rates three times last year and expanded its balance sheet rapidly after ructions in U.S. bond repo market, a key dollar funding market, in September.

The Fed is expected to keep its policy on hold later on Wednesday and is likely to repeat its mantra that a "material reassessment" of the economic outlook would be required for any change in interest rates. But some think a mere mention of risks from the coronavirus may spark speculation the Fed could dole out more stimulus if the U.S. economy is hit by fallouts from the outbreak. Elsewhere, sterling traded at \$1.3028, off one-week low of \$1.2976 set on Tuesday, capped by worries about Britain's future relationship with the European Union. Prime Minister Boris Johnson's decision to grant Huawei a limited role in Britain's 5G mobile network is also said to have undermined the currency.

COMMODITIES

Oil prices rose for a second day on Wednesday, standing on firmer ground after a five-day fall on talk OPEC could extend oil cuts if a new coronavirus hurts demand, while data showing a decline in U.S. stockpiles helped steady prices. Gold prices were little changed on Wednesday after sliding 1% in the previous session, as investors took stock of the economic impact of the new coronavirus and awaited the U.S. Federal Reserve's interest rate decision.

ECONOMIC INDICATORS

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

3 Months	7.55
6 Months	8.15
12 Months	8.61

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

2 Year	8.90
3Year	9.20
4 Year	9.40
5 Year	9.50
6 Year	9.52
7 Year	9.58
8 Year	9.65

LIBOR

	USD	EUR	JPY	GBP
1 Month	1.65	(0.51)	(0.09)	0.62
3 Months	1.77	(0.43)	(0.04)	0.69
6 Months	1.78	(0.37)	0.02	0.74
12 Months	1.84	(0.28)	0.13	0.79

SLIBOR (28/01/2020)

Overnight	7.48%
1 Week	7.60%
1 Month	7.90%
3 Months	8.41%
6 Months	9.22%

AWPLR %

Week ending 24/01	9.62
Week ago	9.65
Year ago	12.03

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

TREASURY DIVISION

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