

TREASURY COMMENTARY – 26 FEBRUARY 2020LOCAL MARKET**MONEY**

Overnight call-money traded at 6.95% - 7.00% on Tuesday. Net market liquidity with the Central Bank was a Surplus of Rs.33.18 Bn on Tuesday from a Surplus of Rs.26.94 Bn on Monday.

USD/LKR MARKET VOLUMES

VOLUME (USD Mn)

AS AT 25.02.2020

Cash	28.50
Tom	8.75
Spot	24.75
Forwards	38.00

MARKET LEVELS

Cash	181.15/182.15
Spot	181.20/182.20

INTERNATIONAL MARKET**FOREX**

The dollar was on the defensive on Wednesday in Asian trade as rising expectations of a U.S. rate cut and warning from U.S. health officials on a domestic coronavirus outbreak called into question the perceived relative strength of U.S. financial assets.

As outbreaks started to quickly spread to the Middle East and Europe, investors no longer saw the U.S. economy immune and started to bet that the U.S. Federal Reserve will have to cut interest rates to support the U.S. economy.

In contrast to the Federal Reserve, the world's other major central banks such as the European Central Bank and the Bank of Japan have limited room for easing with their policy rates already at record lows.

Against the yen, the U.S. currency traded at 110.25 yen, while the euro traded at \$1.08815.

The risk-sensitive Australian dollar stood at \$0.6603, stuck near Monday's 11-year low of \$0.6585 in Asian trade.

The dollar's index against a basket of six major currencies fell to 98.980, having lost 0.9% since it peaked at a near three-year high of 99.915 last week.

COMMODITIES

Gold prices rose on Wednesday, heading back towards a more-than seven-year high hit earlier this week, as a warning from the United States over the domestic spread of the coronavirus outbreak rattled global markets, supporting safe-haven demand. Crude prices fell about 3% on Tuesday, dropping for a third day, as concerns about the spread of the coronavirus grew after the U.S. government warned Americans to prepare for the disease.

ECONOMIC INDICATORS

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

3 Months	7.44
6 Months	8.06
12 Months	8.60

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

2 Year	9.10
3Year	9.40
4 Year	9.65
5 Year	9.70
6 Year	9.70
7 Year	9.75
8 Year	9.95

LIBOR

	USD	EUR	JPY	GBP
1 Month	1.61	(0.52)	(0.09)	0.71
3 Months	1.64	(0.44)	(0.06)	0.73
6 Months	1.62	(0.39)	(0.01)	0.77
12 Months	1.63	(0.32)	0.08	0.84

SLIBOR (25/02/2020)

Overnight	7.00%
1 Week	7.10%
1 Month	7.34%
3 Months	8.10%
6 Months	8.81%

AWPLR %

Week ending 20/02	9.59
Week ago	9.52
Year ago	12.08

AWDR %

Jan 2019	8.14
Dec 2019	8.20
Year ago	8.85

INFLATION (%)

	November 2019	December 2019	January 2020	Year ago
NCPI (YoY)	4.1	6.2	7.6	1.2
CCPI (YoY)	4.4	4.8	5.4	3.7
(12M W.Av)	4.1	4.3	4.4	4.1

TREASURY DIVISION

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