

TREASURY COMMENTARY – 27 FEBRUARY 2020

LOCAL MARKET

MONEY

Overnight call-money traded at 6.95% - 7.00% on Wednesday. Net market liquidity with the Central Bank was a Surplus of Rs.58.56 Bn on Wednesday from a Surplus of Rs.33.18 Bn on Tuesday.

FIXED INCOME SECURITIES

At the Treasury Bill auction held on 26th February 2020, the weighted averages of 91-days, 182-days and 364-days settled at 7.42 percent, 8.06 percent and 8.58 percent respectively.

USD/LKR MARKET VOLUMES

VOLUME (USD Mn)

AS AT 26.02.2020

Cash	17.30
Tom	3.00
Spot	20.20
Forwards	18.50

MARKET LEVELS

Cash	181.20/182.25
Spot	181.25/182.25

INTERNATIONAL MARKET

FOREX

The dollar held gains against the yen on Thursday in Asian trade as growing fears that a coronavirus outbreak is turning into a pandemic boosted demand for the safety of U.S. Treasuries. The dollar also traded near a three-month high versus the pound due to worries Britain's trade talks with the European Union were stalling and dashed expectations for big fiscal spending. The euro, however, held up against the greenback's wider advance as traders eyed reports that Germany's finance ministry is considering easing fiscal spending restrictions to boost its flagging economy.

The dollar was quoted at 110.35 yen on Thursday in Asia, following a 0.2% gain in the previous session. The greenback has pulled back from a 10-month high of 112.23 yen reached on Feb. 20 but still remains above support levels, suggesting further declines could be limited, some traders say. By far the biggest boost for the dollar has been a massive rally in U.S. Treasuries as worries about the virus triggered demand for the safety of government debt. Benchmark 10-year U.S. Treasury yields fell to a record low for the second consecutive day on Thursday, as traders adjusted portfolios to take account of growing risks to growth. Investors in the dollar are also focused on the release of U.S. durable goods orders and gross domestic product data later on Thursday, which could test its safe-haven status if the numbers disappoint expectations.

The pound traded at \$1.2900 on Thursday, close to a three-month low of \$1.2849. Sterling also traded at 84.33 pence per euro close to a two-week low. The new round of talks between Britain and the EU is scheduled to start on Monday, but comments from both sides suggest their views on the scope of a free-trade agreement differ greatly. In addition, some investors are unwinding long positions in cable as they scale back expectations for an expansionary fiscal policy. The euro held steady at \$1.0885 as traders pondered how European officials would respond to a weakening economic outlook.

COMMODITIES

Gold prices rose on Thursday as fears of a pandemic heightened after coronavirus infections surged in Italy and Iran, triggering a move away from riskier assets. Oil prices fell to their lowest in more than a year on Wednesday after hundreds of new coronavirus cases reported in Europe and the Middle East stoked fears that energy demand would decline, and on concerns that the virus could spread across the United States.

ECONOMIC INDICATORS

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

3 Months	7.42
6 Months	8.06
12 Months	8.58

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

2 Year	9.00
3Year	9.40
4 Year	9.65
5 Year	9.70
6 Year	9.80
7 Year	9.85
8 Year	9.90

LIBOR

	USD	EUR	JPY	GBP
1 Month	1.61	(0.52)	(0.09)	0.70
3 Months	1.63	(0.45)	(0.06)	0.73
6 Months	1.62	(0.41)	(0.03)	0.76
12 Months	1.64	(0.33)	0.06	0.83

SLIBOR (26/02/2020)

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 2020	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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