

TREASURY COMMENTARY – 27 MAY 2020

LOCAL MARKET

MONEY

Overnight call-money traded at 5.85%-5.90 % on Tuesday (26.05.2020). Net market liquidity with the Central Bank was a Surplus of Rs 94.46 Bn on Tuesday from a Surplus of Rs.75.39 Bn on Friday (22.05.2020).

USD/LKR MARKET VOLUMES

VOLUME (USD Mn)
AS AT 26.05.2020

Cash	15.00
Tom	1.50
Spot	22.25
Forwards	21.00

MARKET LEVELS

Cash	185.30/186.80
Spot	185.40/186.90

INTERNATIONAL MARKET

FOREX

The dollar edged higher in Asian trade on Wednesday as worries about the U.S. response to China's proposed security law for Hong Kong supported safe-haven demand for the greenback.

The euro held gains against the dollar and the pound but faces a severe test when the European Commission is expected to release details of a financial rescue fund for the bloc later on Wednesday.

Financial markets have been caught in a tug-of-war between optimism and pessimism about the global outlook.

The dollar edged up to \$1.2321 against the pound on Wednesday in Asia, pulling away from its lowest level in two weeks, while the dollar traded at \$1.0983 per euro, close to a one-week low.

The Australian dollar fell 0.3% to \$0.6636, while the New Zealand dollar fell 0.2% to \$0.6185 as worries about U.S.-China tensions hurt demand for riskier assets.

The Aussie and the kiwi are often traded as liquid proxies for risk because of their close ties to China's economy and global commodities.

COMMODITIES

Gold traded flat on Wednesday as concerns about the U.S. response to China's proposed security law for Hong Kong countered optimism about a re-opening of the global economy. Oil prices fell on Wednesday on revived concerns over how quickly fuel demand will recover even as coronavirus lockdowns begin to ease in many countries, while U.S.-China tensions added to negative sentiment.

ECONOMIC INDICATORS

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

3 Months	6.71
6 Months	6.83
12 Months	6.93

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

2 Year	7.40
3Year	7.80
4 Year	8.25
5 Year	8.45
6 Year	8.55
7 Year	8.78
8 Year	8.80

LIBOR

	USD	EUR	JPY	GBP
1 Month	0.16	(0.45)	(0.07)	0.10
3 Months	0.37	(0.32)	(0.03)	0.25
6 Months	0.57	(0.15)	0.01	0.39
12 Months	0.67	(0.08)	0.12	0.59

SLIBOR (26/05/2020)

Overnight	5.92%
1 Week	6.14%
1 Month	6.40%
3 Months	7.00%
6 Months	7.70%

AWPLR %

Week ending 22/05	9.23
Week ago	9.31
Year ago	12.14

AWDR %

April 2020	7.77
March 2020	7.90
Year ago	8.97

INFLATION (%)

	February 2020	March 2020	April 2020	Year ago
NCPI (YoY)	8.1	7.0	5.9	3.6
CCPI(YoY)	6.2	5.4	5.2	4.5
(12MW.Av)	4.6	4.7	4.8	4.1

TREASURY DIVISION

Level-11

Tel: FX: 2664843-6 (Priyantha/Chaaminda/Chandika/Ramesha) Fax: 2664854

Interest Rates: 2664850-3 (Priyantha / Thayalan/ Sanka)

E-mail: forex@hnb.lk Fitch Rating: AA-(Ika.)