

## TREASURY COMMENTARY – 28 MAY 2020

### LOCAL MARKET

#### **MONEY**

Overnight call-money traded at 5.80%-5.90 % on Wednesday (27.05.2020). Net market liquidity with the Central Bank was a Surplus of Rs 99.35 Bn on Wednesday from a Surplus of Rs.94.46 Bn on Tuesday (26.05.2020).

#### **FIXED INCOME SECURITIES**

At the Treasury Bill auction held on 27th May 2020, Treasury bills for 3 months , 6 months and 1 year were sold at the weighted averages of 6.69 % , 6.82 % and 6.93 % respectively. Total amount offered of Rs 30 Bio was fully accepted.

#### **USD/LKR MARKET VOLUMES**

VOLUME (USD Mn)  
AS AT 27.05.2020

Cash	3.75
Tom	4.75
Spot	27.75
Forwards	47.00

#### **MARKET LEVELS**

Cash	185.45/186.95
Spot	185.55/187.05

### INTERNATIONAL MARKET

#### **FOREX**

The dollar held its own on Thursday in Asian trading as rising Sino-U.S. tension put crushing pressure on the Chinese yuan and proved a counterweight to optimism about the coronavirus recovery. The escalating war of words between the world's two biggest economies also spilled over to the Australian and New Zealand dollars, as a far more cautious mood holds in currency markets compared with the ebullience rallying stocks. Hong Kong is the newest flashpoint, with U.S. Secretary of State Mike Pompeo saying on Wednesday that China's plan to impose laws there was "only the latest in a series of actions that fundamentally undermine" the city's autonomy and freedoms. The Chinese yuan, a barometer of U.S.-China relations, hit a record low of 7.1966 per dollar in offshore trade overnight and held close to that level on Thursday at 7.1805. The Aussie and kiwi backed off two-month highs hit in the London session and were becalmed, even as the re-opening of the world's economies kept stock markets rallying. The Aussie was last at \$0.6621 and the kiwi at \$0.6188. A Financial Times report which said coal traders and analysts expect China to tighten import rules also weighed on the Australian dollar, he said. Tensions have flared between Australia and China over the COVID-19 pandemic, while U.S.-China relations have nosedived amid regular attacks from the Trump administration over China's handling of the virus. The United States is currently crafting a range of options to punish China over its tightening grip on Hong Kong, including sanctions, tariffs and restrictions on Chinese companies, according to people familiar with the discussions. Elsewhere, the dollar was marginally firmer against the Japanese yen , at 107.83 yen per dollar, and a touch weaker on the euro and pound. Against a basket of currencies it was steady at 98.863, a fraction above a two-month low hit overnight. Against a basket of currencies it was steady at 98.863, a fraction above a two-month low hit overnight.

#### **COMMODITIES**

Gold fell on Wednesday to its lowest price in two weeks as the easing of coronavirus restrictions around the world fed optimism that the global economy could rebound. Oil prices fell in early trade on Thursday after U.S. crude, gasoline and heating oil inventories all rose more than expected, dousing hopes of a smooth recovery in demand from coronavirus lockdowns.

# ECONOMIC INDICATORS

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

<b>3 Months</b>	6.69
<b>6 Months</b>	6.82
<b>12 Months</b>	6.93

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

<b>2 Year</b>	7.40
<b>3Year</b>	7.75
<b>4 Year</b>	8.35
<b>5 Year</b>	8.45
<b>6 Year</b>	8.50
<b>7 Year</b>	8.75
<b>8 Year</b>	8.80

## LIBOR

	USD	EUR	JPY	GBP
<b>1 Month</b>	0.17	(0.46)	(0.07)	0.10
<b>3 Months</b>	0.37	(0.32)	(0.03)	0.25
<b>6 Months</b>	0.57	(0.16)	0.01	0.40
<b>12 Months</b>	0.68	(0.09)	0.12	0.59

## SLIBOR (27/05/2020)

<b>Overnight</b>	5.91%
<b>1 Week</b>	6.14%
<b>1 Month</b>	6.40%
<b>3 Months</b>	7.00%
<b>6 Months</b>	7.70%

## AWPLR %

<b>Week ending 22/05</b>	9.23
<b>Week ago</b>	9.31
<b>Year ago</b>	12.14

## AWDR %

<b>April 2020</b>	7.77
<b>March 2020</b>	7.90
<b>Year ago</b>	8.97

## INFLATION (%)

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

## TREASURY DIVISION

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