

## TREASURY COMMENTARY – 29 MAY 2020

### LOCAL MARKET

#### MONEY

Overnight call-money traded at 5.80%-5.90 % on Thursday (28.05.2020). Net market liquidity with the Central Bank was a Surplus of Rs 100.80 Bn on Thursday from a Surplus of Rs.99.35 Bn on Wednesday (27.05.2020).

#### USD/LKR MARKET VOLUMES

VOLUME (USD Mn)  
AS AT 28.05.2020

Cash	5.75
Tom	12.00
Spot	17.25
Forwards	9.50

#### MARKET LEVELS

Cash	185.45/186.95
Spot	185.55/187.05

### INTERNATIONAL MARKET

#### FOREX

The dollar was hemmed into a narrow trading range in Asian trading on Friday as traders' focus shifted to U.S. President Donald Trump's response to China's passage of a national security law for Hong Kong. The yuan pulled away from a record low in offshore trade, but investors remain nervous ahead of Trump's announcement later on Friday of policy moves that could ignite a diplomatic row between Washington and Beijing. The greenback was on course for a weekly loss against major currencies as progress in lifting coronavirus lockdowns and stimulus plans in Europe weakened demand for safe havens, but the mood could quickly worsen if Sino-U.S. tensions increase. The dollar stood at \$1.1073 per euro in Asia on Friday, close to its lowest since March 30. The common currency was headed for its second weekly gain against the greenback as the EU's announcement of a 750-billion-euro coronavirus recovery fund fueled optimism about the euro-zone economy. The dollar last bought 0.9644 Swiss francs, on course for a 0.7% weekly decline. The greenback was little changed at 107.67 yen. The Australian dollar bought \$0.6630, close to its highest in more than two months, while the New Zealand dollar traded at \$0.6204, near its strongest since March 11. The Aussie and the kiwi were on course for weekly gains as investors cheered the gradual re-opening of business activity in the two antipodean economies. China's parliament on Thursday approved national security legislation for Hong Kong that Western countries fear could erode the city's freedoms. Trump, who has vowed a tough U.S. response, told reporters he would hold a news conference on China on Friday. The risk is Hong Kong could lose some of the special privileges it enjoys under U.S. law, which would threaten its status as a global financial hub. The potential stand-off has stirred memories of last year's bruising Sino-U.S. trade war, which weighed on the global economy and roiled financial markets. This week the euro led the charge against a weakened dollar after EU policymakers unveiled fiscal stimulus combining grants and loans intended to ease dissent among euro-zone countries. Analysts say the euro may struggle to extend its gains, because fiscally conservative member states may still push to alter the plan. Some traders will focus on the release of German retail sales and EU consumer prices later on Friday to measure the health of the euro-zone economy.

#### COMMODITIES

Oil prices edged lower on Friday after U.S. inventory data showed lackluster fuel demand in the world's largest oil consumer while worsening U.S.-China tensions weighed on global financial markets. Gold prices ticked up on Friday as the Sino-U.S. rift deepened over further moves by Beijing to impose a security law on Hong Kong, lifting the allure of safe havens amid market uncertainties caused by the pandemic.

# 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>	7.78
<b>4 Year</b>	8.40
<b>5 Year</b>	8.50
<b>6 Year</b>	8.65
<b>7 Year</b>	8.78
<b>8 Year</b>	8.83

## LIBOR

	USD	EUR	JPY	GBP
<b>1 Month</b>	0.17	(0.46)	(0.07)	0.10
<b>3 Months</b>	0.36	(0.33)	(0.04)	0.24
<b>6 Months</b>	0.54	(0.15)	0.01	0.39
<b>12 Months</b>	0.68	(0.11)	0.12	0.59

## SLIBOR (28/05/2020)

<b>Overnight</b>	5.90%
<b>1 Week</b>	6.15%
<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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