

TREASURY COMMENTARY – 02 JUNE 2020

LOCAL MARKET

MONEY

Overnight call-money traded at 5.85%-5.90 % on Monday (01.06.2020). Net market liquidity with the Central Bank was a Surplus of Rs 73.79 Bn on Monday from a Surplus of Rs.79.73 Bn on Friday (29.05.2020).

USD/LKR MARKET VOLUMES

VOLUME (USD Mn)
AS AT 01.06.2020

Cash	9.50
Tom	20.75
Spot	31.41
Forwards	56.00

MARKET LEVELS

Cash	185.30/186.80
Spot	185.40/186.90

INTERNATIONAL MARKET

FOREX

The dollar was on the defensive on Tuesday in Asian trading as investors stuck to hopes of a global economic recovery despite heightened concerns over U.S.-China tensions and mass protests in many U.S. cities over the death of a black man in police custody. The U.S. dollar's index against a basket of six major currencies stood at its weakest level since mid-March, at 97.790. The euro fetched \$1.11295, little changed so far on Tuesday but holding near a 2-1/2-month high of \$1.1154 touched on Monday. Sterling traded at \$1.2491, having hit a one-month high of \$1.2506. U.S. manufacturing activity eased off an 11-year low in May and although the reading was weaker than forecast, it fit into markets' expectations that the worst of the economic downturn was behind as businesses. Against the safe-haven yen, the dollar was at 107.57 yen stuck in a well-worn range between 106 and 108 over the last several weeks. President Donald Trump said on Monday he was deploying thousands of heavily armed soldiers and law enforcement to halt violence in the U.S. capital and vowed to do the same in other cities if mayors and Vernalers fail to regain control of the streets. The protests erupted over the death of George Floyd, a 46-year-old African-American who died in Minneapolis police custody after being pinned beneath a white officer's knee for nearly nine minutes. Market risk sentiment was hurt only slightly on Monday when Bloomberg reported that China had told state-owned firms to halt purchases of soybeans and pork from the United States, raising concerns that the trade deal between the world's two biggest economies could be in jeopardy. The Australian dollar, often seen as a proxy bet on the strength of the Chinese economy, fetched \$0.6794 having reached its highest levels since late January. The Reserve Bank of Australia is expected to keep rates on hold when it meets later on Tuesday. The Chinese yuan stood flat at 7.1230 per dollar in offshore trade, near its highest levels in almost two weeks.

COMMODITIES

Oil prices crawled higher on Tuesday, with traders waiting to see whether major producers agree to extend their huge output cuts to shore up prices at a meeting expected later this week. Gold prices inched lower on Tuesday on signs of economic recovery as more countries ease lockdown curbs, while protests in the United States, Sino-U.S. tensions and a weaker dollar limited losses.

ECONOMIC INDICATORS

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

3 Months	6.69
6 Months	6.82
12 Months	6.93

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

2 Year	7.35
3Year	7.95
4 Year	8.35
5 Year	8.50
6 Year	8.55
7 Year	8.80
8 Year	8.85

LIBOR

USD EUR JPY GBP

1 Month	0.18	(0.47)	(0.08)	0.09
3 Months	0.34	(0.35)	(0.04)	0.23
6 Months	0.51	(0.20)	0.00	0.38
12 Months	0.67	(0.12)	0.12	0.56

SLIBOR (01/06/2020)

Overnight	5.88%
1 Week	6.14%
1 Month	6.40%
3 Months	7.00%
6 Months	7.70%

AWPLR %

Week ending 29/05	9.16
Week ago	9.23
Year ago	11.82

AWDR %

April 2020	7.77
March 2020	7.90
Year ago	8.97

INFLATION (%)

	March 2020	April 2020	May 2020	Year ago
NCPI (YoY)	7.0	5.9	-	3.5
CCPI(YoY)	5.4	5.2	4.0	5.0
(12MW.Av)	4.7	4.8	4.7	4.2

TREASURY DIVISION

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