

TREASURY COMMENTARY – 03 JUNE 2020

LOCAL MARKET

MONEY

Overnight call-money traded at 5.80%-5.85 % on Tuesday (02.06.2020). Net market liquidity with the Central Bank was a Surplus of Rs 75.89 Bn on Tuesday from a Surplus of Rs.73.79 Bn on Monday (01.06.2020).

FIXED INCOME SECURITIES

At the Treasury Bill auction held on 02nd June 2020, Treasury bills for 3 months , 6 months and 1 year were sold at the weighted averages of 6.68 %, 6.80 % and 6.93 % respectively. Total amount offered was Rs 21.5 Bio and Rs 20.4 Bio was accepted.

USD/LKR MARKET VOLUMES

VOLUME (USD Mn)
AS AT 02.06.2020

Cash	4.75
Tom	11.00
Spot	46.70
Forwards	35.75

MARKET LEVELS

Cash	185.15/186.65
Spot	185.25/186.75

INTERNATIONAL MARKET

FOREX

The dollar fell against most major currencies on Wednesday in Asian trading as prospects of more government stimulus and a global economic recovery emboldened investors to step up holdings of riskier assets. The Australian dollar hit a five-month high against the dollar, as funds headed toward economies that are seen to be recovering the fastest from the coronavirus pandemic. The Aussie, which has benefited from signs its economic downturn may be less severe than initially feared, could get an additional boost if first quarter gross domestic product data due later on Wednesday shows the country dodged a contraction. China's yuan is also in focus before the release of services sector data from the world's second-largest economy, which could bolster expectations for economic recovery. The greenback also fell against the GBP and nursed losses against the safe-haven Swiss franc as investors pondered mass protests against racism spreading across the United States. The Australian dollar rose early in Asian trading to \$0.6930, the highest since Jan. 7. Across the Tasman Sea, the New NZD jumped to \$0.6391, the highest since March 9. The greenback also slumped to a one-month low of \$1.2584 against the British pound. The Aussie continued to draw buyers after the Reserve Bank of Australia on Tuesday focused on the prospects for a speedy recovery from the coronavirus shock. Australia's GDP data is unlikely to capture the full impact of coronavirus lockdowns had on the economy, but traders say sentiment for the Aussie has turned bullish because lockdown restrictions are easing and due to rising commodity prices. Traders will also monitor the yuan's opening in onshore trade and the release of China's services PMI for May. The coronavirus first emerged in China late last year, but it is also the first major economy to ease severe lockdown restrictions, meaning it is likely to recover earlier than other countries. The greenback's fortunes against other safe-haven currencies were mixed. The dollar bought 0.9619 CHF close to a two-month low. However, the U.S. currency briefly rose to a two-month high of 108.40 yen threatening to break out of its recent trading range. U.S. President Donald Trump has threatened to use the military to quell spreading protests against racism and police brutality, but U.S. stocks continue to rally, leaving some currency traders groping for direction. The euro bought \$1.1180 on Wednesday in Asia, close to the highest since March 16, on hopes policymakers will support the euro zone's weakest economies.

COMMODITIES

Oil rose on Wednesday to a near three-month high amid optimism that major producers will extend production cuts as the world recovers from the coronavirus pandemic. Gold prices dipped on Wednesday as equity markets rallied on economic optimism and hopes for further stimulus measures boosted risk-on sentiment.

ECONOMIC INDICATORS

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

3 Months	6.68
6 Months	6.80
12 Months	6.93

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

2 Year	7.75
3Year	7.93
4 Year	8.48
5 Year	8.65
6 Year	8.88
7 Year	8.90
8 Year	9.04

LIBOR

	USD	EUR	JPY	GBP
1 Month	0.17	(0.47)	(0.08)	0.10
3 Months	0.33	(0.35)	(0.04)	0.21
6 Months	0.49	(0.20)	0.00	0.38
12 Months	0.63	(0.12)	0.11	0.56

SLIBOR (02/06/2020)

Overnight	5.86%
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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