

## TREASURY COMMENTARY – 04 JUNE 2020

### LOCAL MARKET

#### **MONEY**

Overnight call-money traded at 5.80%-5.90 % on Wednesday (03.06.2020). Net market liquidity with the Central Bank was a Surplus of Rs 77.81 Bn on Wednesday from a Surplus of Rs.75.89 Bn on Tuesday (02.06.2020).

#### **FIXED INCOME SECURITIES**

At the Treasury Bond auction held on 03rd June 2020, Treasury bonds maturing on 15.12.2022 and 01.05.2025 were sold at 7.90% & 8.59% respectively. Total amount offered was Rs 65 Bio and was fully accepted.

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

VOLUME (USD Mn)  
AS AT 03.06.2020

Cash	12.00
Tom	0.00
Spot	38.75
Forwards	29.00

#### **MARKET LEVELS**

Cash	184.95/186.45
Spot	185.05/186.55

### INTERNATIONAL MARKET

#### **FOREX**

The euro held near multi-month highs against rival majors Thursday in Asian trading - on expectations the European Central Bank will expand its bond buying programme later in the day to shore up the coronavirus-stricken economy. The euro's strength helped to push the dollar's index against a basket of key currencies to the lowest level in nearly three months. The euro stood at \$1.12305, having risen to \$1.1258 on Wednesday, its highest levels since mid-March and the seven straight session of gains. Against the Japanese yen, the common currency rose to a 4-1/2-month high of 122.625 overnight and last stood at 122.41 yen. It also fetched 1.0798 franc on the safe-haven Swiss currency, having risen to as high as 1.0820, its strongest since Jan. 14. The European Central Bank is widely expected to increase the size of its 750 billion euro (\$669 billion) Pandemic Emergency Purchase Programme (PEPP) as early as Thursday. The currency has been bolstered by hopes for European Union-wide fiscal support measures after Germany last month threw its weight behind the idea of a European Union recovery fund, breaking away from its long-held tradition to resist moves towards fiscal integration in the currency bloc. That has largely underpinned the euro's rise against the dollar for seven straight sessions until Wednesday, having gained 2.3% during this period. The market could react positively if the ECB expands the target of its bond purchase or scrap its limit on each country. But in terms of the total size, it is hard to expect a positive surprise now. The dollar index stood at 97.340, having fallen about 1% so far this week as broad improvement in risk sentiment, underpinned by reopening of economies globally, reduced the allure for the greenback. On Wednesday data showed that U.S. private payrolls fell less than expected in May, suggesting layoffs were abating as businesses reopen, though the overall economy's recovery from the COVID-19 pandemic will be slow. Predictably, the safe-haven yen also weakened during much of this period, and was last trading at 108.96 yen, near a two-month low of 108.98 hit in previous U.S. trade. Sterling was changing hands at \$1.2576, near its highest levels in over a month, helped by signs that Britain might be willing to compromise on sticking points in Brexit negotiations with the European Union.

#### **COMMODITIES**

Oil prices fell on Thursday, reversing gains in the previous session, on concerns that supply will rise if major producers are unable to agree to extend the depth of output cuts that have supported recent gains. Gold prices gained from last session's fall on lingering political tensions and a weaker dollar, but were still near their lowest in over a week as equities were set to extend their gains on economic optimism.

# ECONOMIC INDICATORS

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

<b>3 Months</b>	6.68
<b>6 Months</b>	6.80
<b>12 Months</b>	6.93

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

<b>2 Year</b>	7.75
<b>3Year</b>	7.85
<b>4 Year</b>	8.43
<b>5 Year</b>	8.55
<b>6 Year</b>	8.90
<b>7 Year</b>	8.95
<b>8 Year</b>	9.05

## LIBOR

	USD	EUR	JPY	GBP
<b>1 Month</b>	0.18	(0.46)	(0.09)	0.10
<b>3 Months</b>	0.33	(0.37)	(0.04)	0.23
<b>6 Months</b>	0.48	(0.21)	0.00	0.38
<b>12 Months</b>	0.62	(0.12)	0.11	0.56

## SLIBOR (03/06/2020)

<b>Overnight</b>	5.85%
<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 29/05</b>	9.16
<b>Week ago</b>	9.23
<b>Year ago</b>	11.82

## AWDR %

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

## INFLATION (%)

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

## TREASURY DIVISION

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