

TREASURY COMMENTARY – 09 JUNE 2020

LOCAL MARKET

MONEY

Overnight call-money traded at 5.75%-5.85 % on Monday (08.06.2020). Net market liquidity with the Central Bank was a Surplus of Rs 94.13 Bn on Monday from a Surplus of Rs.81.41 Bn on Thursday (04.06.2020).

USD/LKR MARKET VOLUMES

VOLUME (USD Mn)
AS AT 08.06.2020

Cash	25.75
Tom	6.40
Spot	47.52
Forwards	15.50

MARKET LEVELS

Cash	184.30/185.80
Spot	184.40/185.90

INTERNATIONAL MARKET

FOREX

The dollar nursed losses in Asian trading on Tuesday as surging commodity currencies paused for breath and a rising yen pointed to investor trepidation over the U.S. Federal Reserve's next move. The yen extended big overnight gains to a week-high 108.03 per dollar as investors weigh the possibility of stepped-up bond buying - or even simply a very dovish outlook - from the Fed which meets on Tuesday and Wednesday. At the same time the Australian and New Zealand dollars swiftly retreated from milestone peaks in early trade. The kiwi hit a four-and-a-half month high of \$0.6576 on the first morning since New Zealand ended all social restrictions - save for its closed borders - after declaring the nation free of infections on Monday. The Aussie briefly touched a 10-month top of \$0.7040 and sterling made a three-month high of \$1.2755, though all three pulled back to steady by mid-morning. Last week U.S. jobs data for May caught markets completely off-guard with an unexpected increase in employment and over the weekend Chinese export numbers for last month were stronger than forecast. "The latest high-frequency data shows you that the recovery probably looking more like a V. It's a relief rally, relief that it's not as bad as feared. "In New Zealand, an ANZ survey of traffic movement - seen as a forward indicator of economic growth - saw a sharp rebound in heavy vehicle traffic last month. The virus also appears to be in retreat in Australia where re-opening is gathering pace, prompting RBC Capital Markets to make a modest improvement in its 2020 GDP forecast on Monday lifting it to better than -4% from -4.5%.The World Health Organization on Monday warned that the COVID-19 pandemic is "far from over," as a record number of new daily infections were reported. But investors took comfort from cases trending lower in the United States and falling to a fresh low in New York, even as testing has ramped up. Elsewhere the Chinese yuan held on to chunky gains for the week so far. Other moves were held in check as markets wait for the outcome of the Fed meeting. The euro last sat at \$1.1304 and the pound at \$1.2736.A statement from the Fed is due at 1800 GMT on Wednesday followed by a news conference half an hour later. It is not expected to change interest rate settings and, since last week's job figures, futures pricing shows investors have abandoned expectations of rates dipping below zero next year.

COMMODITIES

Oil prices climbed on Tuesday, paring losses from the previous session, as markets broadly rose on growing confidence in a global recovery with pandemic lockdowns easing. Gold prices rose on Tuesday as the U.S. dollar hovered near a three-month low and amid fears of a deep economic fallout from the coronavirus crisis, while investors focused on the U.S. Federal Reserve meeting for clues on policy measures.

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	7.80
3Year	7.85
4 Year	8.40
5 Year	8.57
6 Year	8.85
7 Year	8.90
8 Year	8.93

LIBOR

USD EUR JPY GBP

1 Month	0.18	(0.47)	(0.09)	0.09
3 Months	0.31	(0.37)	(0.04)	0.21
6 Months	0.48	(0.24)	0.00	0.38
12 Months	0.63	(0.14)	0.11	0.56

SLIBOR (04/06/2020)

Overnight	5.85%
1 Week	6.11%
1 Month	6.38%
3 Months	7.00%
6 Months	7.70%

AWPLR %

Week ending 04/06	8.95
Week ago	9.16
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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