

TREASURY COMMENTARY – 03 JULY 2020

LOCAL MARKET

MONEY

Overnight call-money traded at 5.50%-5.53% on Thursday (02.07.2020). Net market liquidity with the Central Bank was a Surplus of Rs 173.32 Bn on Thursday from a Surplus of Rs.170.24 Bn on Wednesday (01.07.2020).

USD/LKR MARKET VOLUMES

VOLUME (USD Mn)
AS AT 02.07.2020

Cash	12.65
Tom	
Spot	32.25
Forwards	37.75

MARKET LEVELS

Cash	185.55/186.65
Spot	185.65/186.75

INTERNATIONAL MARKET

FOREX

The dollar traded in narrow ranges in Asian trading on Friday, supported by safe-haven flows as a resurgence of the coronavirus in the United States discouraged some investors from taking on excessive risk. The yuan held steady after data showing a strong rebound in China's services sector, as investors avoided big positions due to worries about diplomatic friction between Washington and Beijing over civil liberties in Hong Kong. The U.S. economy added more jobs than expected in June, data showed on Thursday, but reaction in the currency market has been muted because another spike in coronavirus infections threatens to once again put the breaks on economic activity. Against the euro, the dollar traded at \$1.1243 on Friday in Asia. The dollar held steady at 0.9460 Swiss franc after three straight days of gains. The British pound traded hands at \$1.2465 and stood at 90.20 pence per euro. The dollar was little changed at 107.57 yen. A wave of coronavirus infections has prompted the halting of or back-peddalling on plans to reopen economic activity in several U.S. states after months of strict lockdowns. Officials are also taking steps to curtail activity during the extended Independence Day holiday weekend starting on Friday. Trading in other Asian currencies on Friday was subdued before the U.S. holiday, but analysts say sentiment favours more gains in the dollar as investors turn cautious. Relations between the United States and China are also in focus. The U.S. Senate unanimously approved legislation on Thursday to penalise banks doing business with Chinese officials who implement Beijing's new national security law for Hong Kong, raising the chances of further friction between the world's two- largest economies. The onshore yuan traded at 7.0665, little moved after data showed China's services sector expanded in June at the fastest rate in more than a decade. The Australian dollar held steady at \$0.6921 after data confirmed retail sales rebounded by a record in May. Across the Tasman Sea, the New Zealand dollar traded at \$0.6514.

COMMODITIES

Gold edged lower on Friday as strong U.S. jobs data lifted investors' risk appetite, although losses were limited by surging global cases of the novel coronavirus and lingering trade tensions between the United States and China. Crude prices fell on Friday as the resurgence of the coronavirus globally and in the United States, the world's largest oil consumer, dimmed the prospects of fuel demand recovery.

ECONOMIC INDICATORS

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

3 Months	5.08
6 Months	5.22
12 Months	5.45

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

2 Year	5.80
3Year	5.85
4 Year	6.42
5 Year	6.55
6 Year	6.70
7 Year	6.90
8 Year	7.05

LIBOR

	USD	EUR	JPY	GBP
1 Month	0.17	(0.50)	(0.07)	0.08
3 Months	0.30	(0.41)	(0.05)	0.15
6 Months	0.38	(0.33)	(0.02)	0.27
12 Months	0.53	(0.23)	0.11	0.43

AWPLR %

Week ending 26/06	8.65
Week ago	8.94
Year ago	11.52

AWDR %

May 2020	7.57
April 2020	7.77
Year ago	8.94

INFLATION (%)

	April 2020	May 2020	June 2020	Year ago
NCPI (YoY)	5.9	5.2	-	3.5
CCPI(YoY)	5.2	4.0	3.9	3.8
(12MW.Av)	4.8	4.7	4.7	4.2

TREASURY DIVISION

Level-11

Tel: FX: 2664843-6 (Priyantha/Chaaminda/Chandika/Ramesha) Fax: 2664854

Interest Rates: 2664850-3 (Priyantha / Thayalan/ Sanka)

E-mail: forex@hnb.lk Fitch Rating: AA+(lka.)