

TREASURY COMMENTARY – 06 JULY 2020

LOCAL MARKET

MONEY

Overnight call-money traded at 5.50%-5.53% on Friday (03.07.2020). Net market liquidity with the Central Bank was a Surplus of Rs 166.52 Bn on Friday from a Surplus of Rs.173.32 Bn on Thursday (02.07.2020).

USD/LKR MARKET VOLUMES

VOLUME (USD Mn)
AS AT 03.07.2020

Cash	-
Tom	17.00
Spot	45.42
Forwards	44.50

MARKET LEVELS

Cash	185.35/186.45
Spot	185.45/186.55

INTERNATIONAL MARKET

FOREX

The dollar held steady against most currencies in Asian trading on Monday as investors awaited data expected to show the U.S. services sector stopped contracting, in what would give further hope to an economic recovery from the coronavirus pandemic. The euro moved in a narrow range before economic data from Germany and the Eurozone that are also forecast to show a sharp rebound in corporate activity and retail sales, which would ease concerns about the economic outlook. The yen drifted lower against most major currencies as gains in Asian share prices encouraged some risk-on trades. A steady rise of new coronavirus infections in the United States has discouraged some investors from taking big positions in the currency market, but most market participants remain focused on the growing likelihood that major economies will continue to recover. The dollar edged up to 107.74 yen on Monday in Asia following a 0.3% gain last week. Market activity was subdued following the July 4 long weekend holiday in the United States. The euro rose 0.2% to \$1.1270. Against the British pound, the common currency edged up to 90.29 pence. Sterling moved in a narrow range at \$1.2482. Against the Swiss franc, the dollar dipped to 0.9443. The Institute for Supply Management's index for non-manufacturing activity due later on Monday is expected to rise to 50.0 in June from 45.4 in the previous month, indicating activity stopped shrinking. The greenback has been locked into narrow trading ranges recently as concerns about a resurgence in U.S. coronavirus infections offset growing optimism about the economy. The euro will come into focus later in the trading day as Germany, the euro zone's largest economy, is scheduled to release industrial orders for May. Retail sales for all of the eurozone will also be released later on Monday. Both indicators are forecast to recover strongly from large declines caused by the spread of the coronavirus. The onshore yuan rose slightly to 7.0570 per dollar on Monday, also drawing strength from a jump in Chinese share prices to the highest in five years as investors shrugged off concerns about diplomatic tension between the United States and China. The Australian dollar rose 0.2% to \$0.6956 on Monday in Asia following a 1.2% gain last week. The Aussie is another market focus ahead of a Reserve Bank of Australia (RBA) policy meeting on Tuesday. Analysts expect rates will stay at 0.25% amid signs Australia's economic downturn will not be as dire as first feared. Recent gains in prices of copper and other commodities that Australia exports, combined with a more positive tone for the RBA, are likely to support the Aussie, analysts say.

COMMODITIES

Oil prices offered up a mixed market snapshot on Monday, with Brent crude edging higher, supported by tighter supplies, while U.S. benchmark WTI futures dropped on concern that a spike in coronavirus cases could curb oil demand in the United States. Gold prices edged higher on Monday as worries over a surge in coronavirus infections in the United States dented optimism about signs of a nascent economic recovery, prompting investors to seek the safe-haven metal.

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	5.94
4 Year	6.46
5 Year	6.62
6 Year	6.80
7 Year	7.00
8 Year	7.05

LIBOR

	USD	EUR	JPY	GBP
1 Month	0.16	(0.50)	(0.08)	0.07
3 Months	0.28	(0.42)	(0.05)	0.11
6 Months	0.38	(0.34)	(0.02)	0.30
12 Months	0.51	(0.24)	0.11	0.42

AWPLR %

Week ending 03/07	8.48
Week ago	8.65
Year ago	11.13

AWDR %

June 2020	7.38
May 2020	7.57
Year ago	8.88

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

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