

## TREASURY COMMENTARY – 08 JULY 2020

### LOCAL MARKET

#### **MONEY**

Overnight call-money traded at 5.50%-5.52% on Tuesday (07.07.2020). Net market liquidity with the Central Bank was a Surplus of Rs 164.14 Bn on Tuesday from a Surplus of Rs.162.62 Bn on Monday (07.07.2020).

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

VOLUME (USD Mn)  
AS AT 07.07.2020

Cash	4.00
Tom	16.65
Spot	25.85
Forwards	45.50

#### **MARKET LEVELS**

Cash	185.35/186.40
Spot	185.40/186.45

### INTERNATIONAL MARKET

#### **FOREX**

The dollar held onto gains in Asian trading on Wednesday as a resurgence of the coronavirus in the United States and the return of lockdowns in some countries boosted safe-haven demand for the U.S. currency. Risk sentiment was also undermined after Federal Reserve officials expressed concern that rising coronavirus cases could harm economic growth just as stimulus measures start to expire. On the day, traders will be looking to see whether the dollar's overnight gains will slow a recent rally in the yuan sparked by optimism about the outlook for Chinese equities. The dollar traded at 107.58 yen in Asia following a 0.3% gain on Tuesday. Against the euro, the dollar was quoted at \$1.1274, also holding to a 0.3% gain from the previous session. The greenback bought 0.9426 Swiss franc little changed on the day. Sterling changed hands at \$1.2540 and was quoted at 89.88 pence per euro. The pound was near three-week highs against both the greenback and the common currency after British Prime Minister Boris Johnson reiterated his commitment to reaching an early trade deal with the European Union. However, some traders remain reluctant to buy the pound because there is still a risk that trade talks could fail to yield an agreement. Equities weakened and U.S. Treasury yields edged lower as the number of confirmed coronavirus cases in the United States pushed past 3 million on Tuesday, according to a Reuters tally, stoking fears that hospitals will be overwhelmed. The United States has the highest known numbers of coronavirus cases and deaths in the world. Adding to the cautious tone, three Fed officials expressed concern that the surge in infections threatens to pinch consumer spending and job gains just as some stimulus programmes are set to expire. One Fed policymaker pledged more support ahead from the U.S. central bank.

Some traders warn that the dollar could break out of its range against the yen because currency options are set to expire later Wednesday and Thursday. The Australian dollar bought \$0.6945 following a 0.4% decline on Tuesday. Sentiment for the Aussie has taken a hit after coronavirus lockdown measures were re-imposed in Australia's second biggest city of Melbourne on Tuesday. The New Zealand dollar was little changed at \$0.6553.

#### **COMMODITIES**

Gold held firm near a more than eight-year high on Wednesday, as safe-haven demand was bolstered by worries over surging COVID-19 cases and hopes of more stimulus measures to combat the economic blow. Oil prices eased in early trade on Wednesday as industry data showing a build in U.S. crude stockpiles and a forecast for U.S. crude output to fall less than anticipated in 2020 added to worries about oversupply.

## ECONOMIC INDICATORS

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

<b>3 Months</b>	5.08
<b>6 Months</b>	5.22
<b>12 Months</b>	5.45

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

<b>2 Year</b>	5.82
<b>3Year</b>	5.92
<b>4 Year</b>	6.50
<b>5 Year</b>	6.67
<b>6 Year</b>	6.85
<b>7 Year</b>	7.00
<b>8 Year</b>	7.05

### LIBOR

	USD	EUR	JPY	GBP
<b>1 Month</b>	0.17	(0.49)	(0.07)	0.08
<b>3 Months</b>	0.28	(0.43)	(0.05)	0.11
<b>6 Months</b>	0.36	(0.35)	(0.03)	0.28
<b>12 Months</b>	0.51	(0.25)	0.11	0.42

### AWPLR %

<b>Week ending 03/07</b>	8.48
<b>Week ago</b>	8.65
<b>Year ago</b>	11.13

### AWDR %

<b>June 2020</b>	7.38
<b>May 2020</b>	7.57
<b>Year ago</b>	8.88

### INFLATION (%)

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

### TREASURY DIVISION

Level-11

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