

TREASURY COMMENTARY – 13 JULY 2020

LOCAL MARKET

MONEY

Overnight call-money traded at 4.52%-4.56% on Friday (10.07.2020). Net market liquidity with the Central Bank was a Surplus of Rs 166.68 Bn on Friday from a Surplus of Rs.160.92 Bn on Thursday (09.07.2020).

USD/LKR MARKET VOLUMES

VOLUME (USD Mn)
AS AT 10.07.2020

Cash	14.85
Tom	6.10
Spot	32.85
Forwards	21.16

MARKET LEVELS

Cash	185.30/186.40
Spot	185.32/186.42

INTERNATIONAL MARKET

FOREX

The U.S. dollar started the week with a soft tone in Asian trading on Monday as investors looked to looming economic data from around the world and U.S. corporate earnings to gauge whether the markets' guarded optimism on the economic outlook is justified. The greenback ended its third week of losses on Friday as investors bought into risk-sensitive currencies on bets that the worst of the pandemic's sweeping impact was over. The dollar index against a basket of currencies stood at 96.586, down slightly after having lost about 0.5% last week. U.S. coronavirus cases continued to surge over the weekend, as Florida reported an increase of more than 15,000 new cases of COVID-19 in 24 hours, a record for any state, surpassing a peak hit in New York in April. Hopes for development of drugs and vaccines for the disease are also supporting risk sentiment as do economic indicators that have so far shown a recovery from lockdowns. A weekly gauge of consumer confidence in Australia has dropped after a spike in infections in Melbourne and that could be repeated in the U.S., where the magnitude of the outbreak is much larger, he noted. U.S. consumer inflation figures for June are due on Tuesday while retail sales, a key gauge of consumption, are released on Thursday. U.S. corporate earning season will start this week, providing another window to assess the scale of the damage as well as the recovery, from the pandemic. Investors also looked to China, where economic recovery is gaining momentum as the outbreak has largely been contained. China will release its June trade data on Tuesday and a batch of other data, including second quarter GDP, on Thursday. The Chinese yuan stood flat at 7.0068 per dollar in early trade. The euro traded at \$1.1314, maintaining its slow uptrend since late last month. Looming large for the common currency was a planned EU summit on July 17-18, where leaders need to seek to bridge gaps on long-term budget and economic stimulus plans. European Council President Charles Michel proposed a smaller joint EU budget for 2021-27 than previously envisaged to placate thrifty countries in the north. The dollar traded at 106.915 yen, off two-week lows of 106.635 set on Friday.

COMMODITIES

Oil slipped in early Asian trade on Monday as traders eyed an OPEC technical meeting this week which is expected to recommend an easing in supply cuts that have been propping up crude prices. Gold prices edged higher on Monday, holding above the key \$1,800-per-ounce level, as worries over surging coronavirus cases around the world kept the safe-haven metal underpinned.

ECONOMIC INDICATORS

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

3 Months	5.08
6 Months	5.18
12 Months	5.32

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

2 Year	5.40
3Year	5.50
4 Year	6.15
5 Year	6.35
6 Year	6.50
7 Year	6.65
8 Year	6.70

LIBOR

	USD	EUR	JPY	GBP
1 Month	0.17	(0.49)	(0.08)	0.07
3 Months	0.27	(0.44)	(0.05)	0.09
6 Months	0.34	(0.36)	(0.03)	0.12
12 Months	0.48	(0.28)	0.10	0.37

AWPLR %

Week ending 10/07	8.11
Week ago	8.48
Year ago	10.97

AWDR %

June 2020	7.38
May 2020	7.57
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

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