

TREASURY COMMENTARY – 14 JULY 2020LOCAL MARKET**MONEY**

Overnight call-money traded at 4.52%-4.56% on Monday (13.07.2020). Net market liquidity with the Central Bank was a Surplus of Rs 169.02 Bn on Monday from a Surplus of Rs.166.68 Bn on Friday (10.07.2020).

USD/LKR MARKET VOLUMESVOLUME (USD Mn)
AS AT 13.07.2020

Cash	17.40
Tom	2.25
Spot	18.81
Forwards	19.40

MARKET LEVELS

Cash	185.35/186.40
Spot	185.37/186.42

INTERNATIONAL MARKET**FOREX**

The dollar was hemmed into narrow ranges in Asian trade against most currencies on Tuesday as renewed concerns about diplomatic tension between the United States and China and rising coronavirus cases put a dent in risk appetite.

The euro held onto gains against the greenback and the pound as investors await data on German investor sentiment to help measure the pace of Europe's recovery from the health crisis.

Currency trading has thinned out as a recent resurgence of novel coronavirus infections has caused some areas to place new restrictions on business activity.

Markets now face an additional threat from tit-for-tat retaliation between Washington and Beijing over access to U.S. financial markets, civil liberties in Hong Kong, and territorial claims in the South China Sea.

The dollar stood at 107.35 yen on Tuesday in Asia following a 0.4% gain in the previous session, while the dollar traded at 0.9419 Swiss franc. The euro was quoted at \$1.1346, resting below a one-month high reached on Monday. The common currency traded at 90.36 pence, holding onto a 0.9% gain from the previous session.

Elsewhere in currencies, the Australian dollar was little changed at \$0.6935. Sentiment for the Aussie has taken a hit as some Australian states also re-impose coronavirus restrictions. The New Zealand dollar fell slightly to \$0.6530.

COMMODITIES

Gold slipped on Tuesday to trade below the key \$1,800 level due to a stronger dollar, though concerns over surging coronavirus cases around the world and Sino-U.S. tensions put a floor under bullion prices. Oil prices fell around 2% in early trade on Tuesday on worries that new clampdowns on businesses to stem surging coronavirus cases in California and other U.S. states could threaten the nascent recovery in fuel demand.

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	5.30
3Year	5.55
4 Year	6.05
5 Year	6.30
6 Year	6.50
7 Year	6.60
8 Year	6.70

LIBOR

	USD	EUR	JPY	GBP
1 Month	0.17	(0.49)	(0.07)	0.07
3 Months	0.26	(0.43)	(0.04)	0.09
6 Months	0.34	(0.36)	(0.02)	0.22
12 Months	0.48	(0.28)	0.09	0.37

AWPLR %

Week ending 10/07	8.11
Week ago	8.48
Year ago	11.13

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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