

TREASURY COMMENTARY – 07 AUGUST 2020

LOCAL MARKET

MONEY

Overnight call-money traded at 4.52%-4.55% on Thursday (06.08.2020). Net market liquidity with the Central Bank was a Surplus of Rs 166.08 Bn on Thursday from a Surplus of Rs.157.94 Bn on Wednesday (05.08.2020).

USD/LKR MARKET VOLUMES

VOLUME (USD Mn)
AS AT 06.08.2020

Cash	26.00
Tom	7.50
Spot	34.64
Forwards	-

MARKET LEVELS

Cash	184.90/186.00
Spot	184.92/186.02

INTERNATIONAL MARKET

FOREX

The dollar nursed losses against major currencies in Asian trade on Friday ahead of the U.S. non-farm payrolls report, which some investors fear could reinforce the view that momentum in the world's largest economy is slowing.

Sentiment has turned against the greenback due to a combination of rising U.S. coronavirus infections, a steady decline in Treasury yields, and a lack of consensus in Washington over additional fiscal stimulus.

Against the euro, the dollar stood at \$1.1868 in Asian trade on Friday, close to its weakest in more than two years.

The British pound bought \$1.3134, close to its strongest level since March.

The dollar traded near a five-year low against the safe-harbour Swiss franc at 0.9109.

Against the yen, which is also considered a safe currency, the dollar traded at 105.57, not far from a four-month low.

Non-farm payrolls due later on Friday are widely expected to show U.S. jobs creation slowed in July from the previous month, indicating a resurgence in coronavirus infections is undermining the economic recovery there.

The dollar index against a basket of major currencies last stood at 92.864, close to a two-year low.

The Australian dollar traded at \$0.72223, close to the highest in one-and-a-half years, while the New Zealand dollar bought \$0.6681, which is near its strongest since January.

COMMODITIES

Gold scaled a new all-time peak on Friday and was set for its ninth straight weekly gain, as demand was boosted by a softer dollar, falling U.S. Treasury yields and worries over the global economic fallout from rising COVID-19 cases. Oil prices hovered below five-month highs on Thursday, falling after a session in which bearish sentiment about fuel demand counteracted optimism about Iraq's supply cuts, pushing the benchmarks in and out of positive territory.

ECONOMIC INDICATORS

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

3 Months	4.67
6 Months	4.76
12 Months	4.94

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

2 Year	5.87
3Year	6.15
4 Year	6.30
5 Year	6.60
6 Year	6.65
7 Year	7.10
8 Year	7.15

LIBOR

	USD	EUR	JPY	GBP
1 Month	0.15	(0.52)	(0.07)	0.06
3 Months	0.24	(0.46)	(0.05)	0.07
6 Months	0.28	(0.45)	(0.03)	0.12
12 Months	0.44	(0.34)	0.10	0.29

AWPLR %

Week ending 31/07	7.47
Week ago	7.63
Year ago	10.84

AWDR %

July 2020	7.16
June 2020	7.38
Year ago	8.88

INFLATION (%)

	May 2020	June 2020	July 2020	Year ago
NCPI (YoY)	5.2	6.3	-	2.1
CCPI(YoY)	4.0	3.9	4.2	3.3
(12MW.Av)	4.7	4.7	4.8	4.0

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.)