

TREASURY COMMENTARY – 16 SEPTEMBER 2020

LOCAL MARKET

MONEY

Overnight call-money traded at 4.52%-4.53% on Tuesday (15.09.2020). Net market liquidity with the Central Bank was a Surplus of Rs 180.08 Bn on Tuesday from a Surplus of Rs.181.45 Bn on Monday (14.09.2020).

USD/LKR MARKET VOLUMES

VOLUME (USD Mn)
AS AT 15.09.2020

Cash	38.25
Tom	10.00
Spot	11.98
Forwards	52.00

MARKET LEVELS

Cash	183.90/185.05
Spot	183.92/185.07

INTERNATIONAL MARKET

FOREX

The dollar and the yen both found support in Asian trading on Wednesday as traders finessed positions ahead of a U.S. Federal Reserve policy decision, while the Chinese yuan held gains as the outlook brightened for the world's second-largest economy. Later in the day the Fed concludes its first meeting since adopting a more accommodative approach to inflation. Yen buying reflects a belief that the bank may act on that stance, and weaken the dollar with further stimulus, while broader dollar support points to caution about such a bet.

The yen was last at a two-week high of 105.26 per dollar. Against other majors, the dollar crept higher after recouping a Tuesday dip though moves in morning trade were pretty small. The Australian dollar edged down 0.1% to \$0.7294 and the New Zealand dollar was a fraction softer at \$0.6708. The euro drifted down to \$1.1837. The Fed decision is due at 1800 GMT followed by a news conference from chairman Jerome Powell half an hour later. Besides policy, where any changes would likely be a shift in its bond-buying programme to longer tenors, a major area of focus will be on the Fed's economic projections, especially where it figures inflation is headed.

Elsewhere the British pound has been rising from last week's lows with stronger-than-expected jobs figures overnight and opposition to a plan to breach the Brexit treaty. It last sat at \$1.2877 and at 91.87 pence per euro. The Chinese yuan also hung on to big gains won on Tuesday when better-than-expected economic data reinforced investors' perception that the world's second largest economy is leading the global recovery from the COVID-19 pandemic. In offshore trade the yuan was last at 6.7835 per dollar having climbed as high as 6.7663 on Tuesday.

COMMODITIES

Oil prices rose on Wednesday, extending gains from the previous session, as a hurricane disrupted U.S. offshore oil and gas production and an industry report showed a big drop in U.S. crude stockpiles. Gold prices eased on Wednesday, retreating from a near two-week high hit in the previous session, as the dollar gained ahead of a U.S. Federal Reserve policy decision due later in the day.

ECONOMIC INDICATORS

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

3 Months	4.52
6 Months	4.65
12 Months	4.88

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

2 Year	5.52
3Year	5.78
4 Year	6.07
5 Year	6.35
6 Year	6.58
7 Year	6.95
8 Year	7.10

LIBOR

	USD	EUR	JPY	GBP
1 Month	0.15	(0.56)	(0.12)	0.05
3 Months	0.24	(0.51)	(0.10)	0.06
6 Months	0.27	(0.49)	(0.06)	0.08
12 Months	0.40	(0.42)	0.08	0.16

AWPLR %

Week ending 11/09	6.65
Week ago	6.55
Year ago	10.52

AWDR %

Aug 2020	6.74
July 2020	7.16
Year ago	8.73

INFLATION (%)

	June 2020	July 2020	August 2020	Year ago
NCPI (YoY)	6.3	6.1	-	2.2
CCPI(YoY)	3.9	4.2	4.1	3.4
(12MW.Av)	4.7	4.8	4.8	3.8

TREASURY DIVISION

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