

TREASURY COMMENTARY – 25 SEPTEMBER 2020

LOCAL MARKET

MONEY

Overnight call-money traded at 4.51%-4.53% on Thursday (24.09.2020). Net market liquidity with the Central Bank was a Surplus of Rs 163.47 Bn on Thursday from a Surplus of Rs.164.89 Bn on Wednesday (23.09.2020).

USD/LKR MARKET VOLUMES

VOLUME (USD Mn)
AS AT 24.09.2020

Cash	7.00
Tom	4.00
Spot	35.10
Forwards	17.30

MARKET LEVELS

Cash	184.60/185.70
Spot	184.62/185.72

INTERNATIONAL MARKET

FOREX

The U.S. dollar dipped from a two-month peak early in Asian trade on Friday as renewed hopes of U.S. stimulus eased investors' concerns about economic recovery, while the Chinese yuan gained after the country was added to a global bond benchmark.

The dollar index edged down to 94.313, after scaling a two-month high of 94.601 in Thursday's U.S session amid a bout of risk aversion.

Currencies and stocks reversed direction, with U.S. equities gaining as traders latched on to hopes that stalled stimulus talks could resume between House of Representatives Speaker Nancy Pelosi, a Democrat and U.S. Treasury Secretary Steven Mnuchin.

The euro changed hands at \$1.1671 after having hit a two-month low of \$1.16265 on Thursday.

The dollar was little moved at 105.41 yen, having risen to 105.53, its strongest level in over week, on Thursday.

The British pound managed to stay above Wednesday's two-month lows after Britain's government launched scaled-back job support for workers hit by a resurgent COVID-19 pandemic.

The offshore yuan gained, stemming its decline over the past week or so, after FTSE Russell announced it will add Chinese government bonds to its flagship World Government Bond Index (WGBI) starting in 2021.

The Australian dollar traded at \$0.7056, having hit a two-month low of \$0.7016 overnight.

COMMODITIES

Gold inched lower on Friday, pressured by a firm dollar, and was on track for its worst week in over a month, although renewed hopes of more U.S. stimulus measures limited the decline. Oil prices were little changed on Friday but on track for a weekly fall on concerns that a global resurgence of COVID-19 infections will constrain fuel demand, while the likely return of exports from Libya will add to supply.

ECONOMIC INDICATORS

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

3 Months	4.51
6 Months	4.64
12 Months	4.88

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

2 Year	5.63
3Year	5.88
4 Year	6.18
5 Year	6.45
6 Year	6.65
7 Year	6.95
8 Year	7.10

LIBOR

	USD	EUR	JPY	GBP
1 Month	0.14	(0.56)	(0.10)	0.04
3 Months	0.23	(0.51)	(0.09)	0.06
6 Months	0.27	(0.49)	(0.05)	0.09
12 Months	0.37	(0.43)	0.05	0.16

AWPLR %

Week ending 18/09	6.25
Week ago	6.65
Year ago	10.64

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	6.2	3.4
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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