

TREASURY COMMENTARY – 28 SEPTEMBER 2020LOCAL MARKET**MONEY**

Overnight call-money traded at 4.52%-4.53% on Friday (25.09.2020). Net market liquidity with the Central Bank was a Surplus of Rs 188.97 Bn on Friday from a Surplus of Rs.163.47 Bn on Thursday (24.09.2020).

USD/LKR MARKET VOLUMESVOLUME (USD Mn)
AS AT 25.09.2020

Cash	23.50
Tom	8.25
Spot	25.27
Forwards	13.00

MARKET LEVELS

Cash	184.75/185.85
Spot	184.77/185.87

INTERNATIONAL MARKET**FOREX**

The dollar hovered near a two-month peak against a basket of currencies in Asian trading on Monday as investors look to a barrage of upcoming economic data and political developments in the United States before making any fresh bets on the U.S. currency. While a rebound in U.S. stocks on Friday has helped to curb the ascent of the dollar, deemed as a safe-haven, signs of slowdown in the nascent economic recovery and political uncertainties have kept investors on guard. The dollar index stood at 95.544. Last week it hit a two-month high of 94.745 last week and posted its biggest weekly rise since early April. The euro changed hands at \$1.1635, having dropped to \$1.16125 on Friday to its lowest level in two months. The British pound stood at \$1.2767, slightly above Wednesday's two-month low of \$1.2676. Data on U.S. currency futures positions released on Friday pointed to more upside in the dollar's recovery, with speculators holding a big net short position in the greenback. Data from U.S. Commodity Futures Trading Commission showed speculators held a net short position of \$33.989 billion, up from \$31.524 billion the week before and near the highest level in almost ten years. The flip side of that was a still very large net long positions in the euro, which showed a slight increase last week to \$27.922 billion. Against the yen, the dollar was more subdued at 105.46 yen. Investors now look to the first U.S. Presidential debate on Tuesday as the election in early November has started to loom large. Ahead of the debate, the New York Times reported on Sunday President Donald Trump paid extremely little in income taxes in recent years as heavy losses from his business enterprises offset hundreds of millions of dollars in income. Few investors now expect the U.S. Congress to pass any stimulus package, seen as vital to support the pandemic-stricken economy, before the election. But there are growing worries the economic recovery is slowing as many of the stimulus programmes have expired, curbing consumer spending. The week provides markets with more U.S. data to gauge the health of the world's biggest economy, including consumer confidence on Tuesday, manufacturing survey on Thursday and jobs data on Friday.

COMMODITIES

Oil prices dipped again on Monday as rising coronavirus cases upset hopes for a smooth recovery in fuel demand, with crude on track for its first monthly fall in many months after slipping last week. Gold steadied on Monday as the dollar rally took a pause, while traders were on sidelines as political uncertainty built ahead of the first presidential election debate between U.S. President Donald Trump and his Democratic rival Joe Biden this week.

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	5.65
3Year	5.92
4 Year	6.18
5 Year	6.50
6 Year	6.58
7 Year	6.95
8 Year	7.17

LIBOR

	USD	EUR	JPY	GBP
1 Month	0.14	(0.56)	(0.10)	0.04
3 Months	0.21	(0.51)	(0.09)	0.05
6 Months	0.27	(0.50)	(0.05)	0.09
12 Months	0.36	(0.43)	0.05	0.15

AWPLR %

Week ending 18/09	6.45
Week ago	6.25
Year ago	10.49

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

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.)