

TREASURY COMMENTARY – 29 SEPTEMBER 2020

LOCAL MARKET

MONEY

Overnight call-money traded at 4.52%-4.54% on Monday (28.09.2020). Net market liquidity with the Central Bank was a Surplus of Rs 171.42 Bn on Monday from a Surplus of Rs.188.97 Bn on Friday (25.09.2020).

FIXED INCOME SECURITIES

At the Treasury Bond auction held on 28th September 2020, Treasury bonds maturing on 15.11.2022 and 01.03.2026 were sold at the weighted averages of 5.65% & 6.59% respectively. Total amount offered was Rs 75 Bio and 32.6 Bio was accepted.

Moody's investors service has downgraded the government of Sri Lanka's long-term foreign currency issuer and senior unsecured ratings to Caa 1 from B2 and changed the outlook to stable.

USD/LKR MARKET VOLUMES

VOLUME (USD Mn)
AS AT 28.09.2020

Cash	10.75
Tom	2.75
Spot	18.5
Forwards	2.75

MARKET LEVELS

Cash	184.75/185.90
Spot	184.77/185.92

INTERNATIONAL MARKET

FOREX

The dollar was steady against a basket of currencies in Asian trading on Tuesday as traders looked out to the first U.S. presidential debate and developments on the U.S. stimulus bill. The dollar index stood unchanged at 94.150, drifting away from a two-month high of 94.745 reached last week, as stock markets made solid gains partly on upbeat China data with Wall Street rebounding following last week's selloff. All eyes are on the first U.S. presidential election debate where Democrat Joe Biden and Republican Donald Trump will square off later in the day. Markets are also braced for a slew of data to gauge the health of the world's biggest economy ahead of the election, analysts say, including Tuesday's consumer confidence, a manufacturing survey and consumer data on Thursday as well as jobs report on Friday. Sterling outperformed other currencies, extending overnight gains on optimism about a Brexit trade deal as the European Union and Britain kicked off a decisive week of talks. The British pound was fetching \$1.2875 in Asian trade, having touched \$1.2930 overnight. Against the euro, sterling changed hands at 90.74 pence. While both the EU and Britain said a post-Brexit agreement was still some way off, European Commission chief Ursula von der Leyen said a deal was still possible. Separately, Bank of England Deputy Governor Dave Ramsden said he thought the floor for the central bank's key interest rate was 0.1%, but the BoE was "duty-bound" to consider pushing the rates below zero. The euro changed hands at \$1.1678, with gains capped by European Central Bank President Christine Lagarde's remarks that the external value of the shared currency has an impact on inflation, and that policymakers will monitor currency movements. As Europe grapples with a surge in new COVID-19 infections, traders will be looking out for euro zone consumer confidence and industrial sentiment data for September for signs of any impact on the region's economic recovery. Elsewhere, the dollar edged lower against the yen at 105.43 yen. Data on Tuesday showed Tokyo's core consumer prices fell 0.2% in September, the latest evidence of the lingering impact of the coronavirus on business activity. The Antipodean currencies gained moderately, with the Australian dollar last trading at \$0.7093 while the kiwi sat at \$0.6566.

COMMODITIES

Oil prices fell on Tuesday as demand concerns driven by COVID-19 outweighed hopes that U.S. lawmakers and the White House were nearing an agreement on a new stimulus package to revive the world's biggest economy. Gold edged higher on Tuesday buoyed by a softer dollar, with investors focusing on the first U.S. presidential debate and progress on a new U.S. stimulus bill.

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	5.68
3Year	6.00
4 Year	6.35
5 Year	6.65
6 Year	6.75
7 Year	7.15
8 Year	7.30

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 25/09	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.)