

TREASURY COMMENTARY – 30 SEPTEMBER 2020

LOCAL MARKET

MONEY

Overnight call-money traded at 4.52%-4.53% on Tuesday (29.09.2020). Net market liquidity with the Central Bank was a Surplus of Rs 188.46 Bn on Tuesday from a Surplus of Rs.171.42 Bn on Monday (28.09.2020).

USD/LKR MARKET VOLUMES

VOLUME (USD Mn)
AS AT 29.09.2020

Cash	05.85
Tom	29.99
Spot	80.70
Forwards	45.50

MARKET LEVELS

Cash	184.50/185.60
Spot	184.52/185.62

INTERNATIONAL MARKET

FOREX

The dollar edged down in Asian trade on Wednesday as investors counted down to the first U.S. presidential debate between President Donald Trump and Democratic challenger Joe Biden.. The dollar index against a basket of currencies fell 0.32% to 93.858, after hitting a two-month high last week. Also weighing on the greenback were month- and quarter-end currency flows, while better-than-expected U.S. economic data also dented its perceived safe-haven bid. U.S. consumer confidence rebounded more than expected in September as households' views of the labour market improved. The euro was steady at \$1.1742, having hit a one-week high of \$1.1746 overnight. Against the yen, the single currency changed hands at 124.04 yen, hovering near a two-week high of 124.11 yen. The dollar was little changed against the Swiss franc at 0.9195 franc, after falling as low as 0.9191 franc overnight. Against the yen, the greenback weakened slightly to 105.67 yen, a fraction below a two-week high of 105.74 yen marked overnight. Markets also remain focused on progress made around a U.S. fiscal stimulus packaged to cushion the coronavirus blow. U.S. House Speaker Nancy Pelosi said on Tuesday she hoped to have a coronavirus aid deal with the White House this week, after speaking with Treasury Secretary Steve Mnuchin and making plans for further talks on Wednesday. Pelosi said on Monday Democratic lawmakers unveiled a new \$2.2 trillion fiscal stimulus bill, but in an interview with CNBC, White House economic adviser Larry Kudlow made clear that the White House still views the updated figure as too high. The U.S. economic recovery is at risk without more fiscal stimulus and as a result, USD is vulnerable to additional upside in the short term. On the data front, China releases both official and private manufacturing PMIs for September later in the morning. A Reuters poll on Monday showed China's factory activity likely expanded at a slightly faster pace in September, as the economy extends a steady recovery from the coronavirus crisis. Sterling was steady at \$1.2864 against the dollar. The British pound initially gained overnight on hopes for a Brexit deal, but retreated after the Bank of England's governor kept the door open for using sub-zero interest rates if needed. The dollar stepped back against commodity currencies such as the Australian and New Zealand dollars. The Aussie edged 0.18% higher to last sit at \$0.7148, while the kiwi firmed against the dollar, last fetching \$0.6599.

COMMODITIES

Oil prices fell for a second day on Wednesday, extending big losses from the previous session amid rising concerns about fuel demand as the coronavirus pandemic worsens. Gold edged lower in early Asian trade on Wednesday with cautious investors awaiting key takeaways from the first U.S. presidential debate, while optimism over hopes of a U.S. coronavirus aid deal limited losses.

ECONOMIC INDICATORS

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

3 Months	Rejected
6 Months	4.64
12 Months	4.89

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

2 Year	5.85
3Year	6.15
4 Year	6.48
5 Year	6.75
6 Year	6.93
7 Year	7.25
8 Year	7.50

LIBOR

	USD	EUR	JPY	GBP
1 Month	0.14	(0.56)	(0.08)	0.04
3 Months	0.22	(0.51)	(0.09)	0.06
6 Months	0.26	(0.50)	(0.05)	0.08
12 Months	0.36	(0.43)	0.04	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

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