

TREASURY COMMENTARY – 16 OCTOBER 2020LOCAL MARKET**MONEY**

Overnight call-money traded at 4.51%-4.54% on Thursday (15.10.2020). Net market liquidity with the Central Bank was a Surplus of Rs 183.80 Bn on Thursday from a Surplus of Rs.177.04 Bn on Wednesday (14.10.2020).

USD/LKR MARKET VOLUMESVOLUME (USD Mn)
AS AT 15.10.2020

Cash	43.35
Tom	34.50
Spot	19.00
Forwards	63.66

MARKET LEVELS

Cash	184.00/185.10
Spot	184.02/185.12

INTERNATIONAL MARKET**FOREX**

The dollar was headed for its best week of the month in Asian trade on Friday, as surging coronavirus cases and stalled progress toward U.S. stimulus had nervous investors seeking safe assets.

As fresh curbs to combat COVID-19 were introduced in Europe and Britain, the world's reserve currency surged to a two-week high of 93.910 against a basket of currencies. It held just below that peak in Asian morning trade.

London enters a tighter COVID-19 lockdown from midnight, which with a curfew in Paris leaves two of Europe's largest cities living under state-imposed restrictions.

Risk sensitive currencies were hit hardest, with the Australian dollar dropping almost 1% on Thursday to a more than two-week low of \$0.7057. It has lost 2% for the week, weighed also by a dovish central bank speech.

The kiwi fell by 1% on Thursday to \$0.6577 and both Antipodeans sat just above their troughs on Friday. The Norwegian krone is nursing a 2.4% loss this week.

The euro fell 0.3% against the dollar overnight and has lost about 1% for the week so far as worries gather. The U.S. dollar has gained 0.8% against a basket of currencies so far this week, its largest weekly rise since late September.

Dollar demand pushed even the safe-haven yen lower on Thursday, though the Japanese currency is up 0.2% for the week. The yen was last steady at 105.38 per dollar.

COMMODITIES

Gold prices inched lower on Friday, on track for its first weekly decline in three, as the dollar held firm and U.S. stimulus talks showed no progress. Oil prices fell on Friday on concerns that major producers will move ahead with plans to ease their supply cuts even as a spike in COVID-19 cases in Europe and the United States is curtailing demand in two of the world's biggest fuel consuming regions.

ECONOMIC INDICATORS

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

3 Months	4.59
6 Months	4.71
12 Months	4.99

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

2 Year	5.52
3Year	5.80
4 Year	6.03
5 Year	6.35
6 Year	6.60
7 Year	6.87
8 Year	7.10

LIBOR

	USD	EUR	JPY	GBP
1 Month	0.14	(0.56)	(0.09)	0.04
3 Months	0.21	(0.53)	(0.10)	0.04
6 Months	0.25	(0.51)	(0.06)	0.07
12 Months	0.34	(0.46)	0.04	0.12

AWPLR %

Week ending 09/10	6.32
Week ago	6.19
Year ago	10.46

AWDR %

Sep 2020	6.44
Aug 2020	6.74
Year ago	8.51

INFLATION (%)

	July 2020	August 2020	September 2020	Year ago
NCPI (YoY)	6.1	6.2	-	3.4
CCPI(YoY)	4.2	4.1	4.0	5.0
(12MW.Av)	4.8	4.8	4.7	3.9

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.)