

TREASURY COMMENTARY – 22 OCTOBER 2020

LOCAL MARKET

MONEY

Overnight call-money traded at 4.53% on Wednesday (21.10.2020). Net market liquidity with the Central Bank was a Surplus of Rs 210.69 Bn on Wednesday from a Surplus of Rs.207.92 Bn on Tuesday (20.10.2020).

The Central Bank of Sri Lanka left its benchmark rates unchanged at 4.50 percent and 5.50 percent at its Monetary Policy meeting held on 21st October 2020.

FIXED INCOME SECURITIES

At the Treasury Bill auction held on 21st October 2020, maturities of 182-day and 364-day settled at the weighted averages of 3.87 percent and 4.13 percent respectively. The 91-day bill was rejected.

USD/LKR MARKET VOLUMES

VOLUME (USD Mn)
AS AT 21.10.2020

Cash	24.00
Tom	4.50
Spot	27.41
Forwards	31.85

MARKET LEVELS

Cash	183.50/184.70
Spot	183.52/184.72

INTERNATIONAL MARKET

FOREX

The U.S. dollar steadied against most major currencies in Asian trade on Thursday as U.S. stimulus talks remained the focus for markets with trading buffeted over recent days by the extent of progress made on the potential size of the aid package.

The dollar index was nearly flat against a basket of currencies at 92.801, having marked its lowest level since Sept. 2 overnight. The dollar weakened after U.S. President Donald Trump and House Speaker Nancy Pelosi boosted hopes an agreement on stimulus was close, sparking demand for riskier assets.

Analysts said the dollar was also pressured by surge in currencies such as the sterling, which jumped to a six-week high overnight after Britain's chief Brexit negotiator said talks with the European Union will resume on Thursday afternoon.

Against the greenback, the pound steadied at \$1.3134 in early Asian trade.

The euro edged 0.11% lower against the dollar to \$1.8465, a fraction below a one-month high of \$1.8805 hit on Wednesday.

The Japanese yen was little changed at 104.68 against the greenback, having marked a four-week high overnight.

The Australian dollar eased as E-mini futures for the S&P 500 lost more than 0.6%; the Aussie was last fetching 0.7105, while the kiwi fell 0.32 to 0.6634.

COMMODITIES

Gold edged lower on Thursday as the dollar recovered from a seven-week trough and some concerns emerged that an agreement on a new U.S. fiscal coronavirus aid package will not be reached until after the presidential election. Oil prices dropped in early trade on Thursday, adding to heavy losses overnight, after a build in U.S. gasoline inventories pointed to a deteriorating outlook for fuel demand as coronavirus cases soar in North America and Europe.

ECONOMIC INDICATORS

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

3 Months	Rejected
6 Months	3.87
12 Months	4.13

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

2 Year	5.50
3Year	5.70
4 Year	6.02
5 Year	6.35
6 Year	6.58
7 Year	6.85
8 Year	7.05

LIBOR

	USD	EUR	JPY	GBP
1 Month	0.14	(0.56)	(0.08)	0.04
3 Months	0.20	(0.51)	(0.10)	0.04
6 Months	0.24	(0.50)	(0.05)	0.06
12 Months	0.33	(0.45)	0.04	0.12

AWPLR %

Week ending 16/10	6.51
Week ago	6.32
Year ago	10.42

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	6.4	5.0
CCPI(YoY)	4.2	4.1	4.0	5.0
(12MW.Av)	4.8	4.8	4.7	3.9

TREASURY DIVISION

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