

# Weekly Treasury Market Report

27<sup>th</sup> August, 2018

20<sup>th</sup> Aug – 24<sup>th</sup> Aug 2018

## LOCAL MARKET

The US dollar broke the 161.00 mark briefly for the first time on Friday as it continued to strengthen for the 4th consecutive week against the Sri Lankan rupee to close at an all-time high of 160.95. The demand for the US currency remained unabated throughout the week, as investors and importers continued to cover their positions while sellers were on the sidelines. However, the upward momentum was halted after Central Bank sold dollars in the market, just above the 161.00 mark.

We expect the current trend to continue this week as well, as demand for USD from importers, coupled with investors in government securities and equities may further weaken the local currency. However, the market will watch for any Central Bank and exporter activity above 161.00, before pushing the US currency higher any further. We expect to see a range of 160.60-161.15 next week. Usd/Lkr premiums closed virtually unchanged from the previous week to close at 0.78, 2.40, 4.75 and 9.70 for 1, 3, 6 and 12 months respectively.

Overnight call money rates continued to trade lower, traded in a range of 7.75%-7.85% down by 20 basis points compared to the previous week with surplus in market liquidity around Lkr

## INTERNATIONAL MARKET

The U.S. dollar index decreased against other major currencies in late trading on Friday, as Wall Street digested comments from U.S. Federal Reserve Chairman Jerome Powell.

Powell reiterated on Friday that the central bank will stick to the strategy of gradual rate hikes to manage potential risks and support domestic economic recovery. Speaking at an annual economic symposium in Jackson Hole, Wyoming, Powell said the central bank faces two major risks: "moving too fast and needlessly shortening the expansion, versus moving too slowly and risking a destabilizing overheating."

While U.S. inflation has recently moved up near 2 percent, Powell said he sees "no clear sign of an acceleration above 2 percent" and there does not seem to be "an elevated risk of overheating." Some analysts said Powell's speech suggested the central bank may be approaching its neutral federal funds rate, which means the federal funds rate has reached an equilibrium where it neither stimulates nor suppresses economic growth.

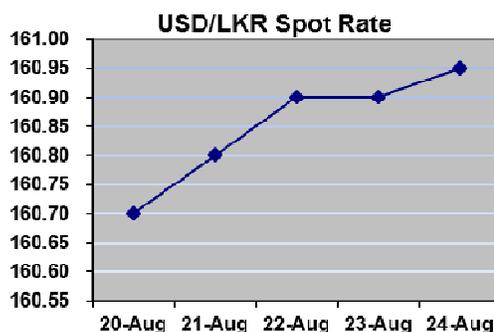
On the economic front, U.S. new orders for manufactured durable goods in July decreased 4.3 billion U.S. dollars or 1.7 percent to 246.9 billion U.S. dollars, worse than market consensus, said the Commerce Department on Friday.

In late New York trading, the euro was up to 1.1625 dollars from 1.1536 dollars in the previous session, and the British pound increased to 1.2847 dollars from 1.2814 U.S. dollars in the previous session. The Australian dollar climbed to 0.7324 dollar from 0.7245 dollar. (Source Reuters)

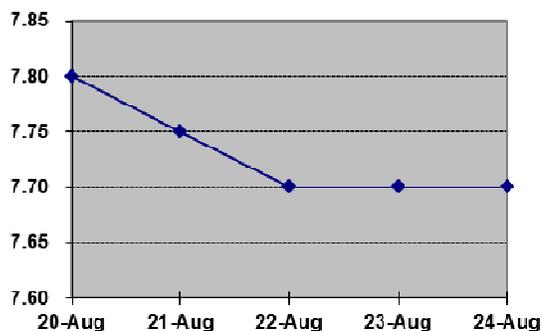
## Primary Market Treasury Bills

Week Ending 24<sup>th</sup> Aug, 2018

	W/avg.	Previous	Change
3 m	8.09%	8.10%	- 0.01%
6 m	8.60%	8.62%	- 0.02%
12m	9.00%	9.00%	-



## Interbank Lkr O/N rates %



As at 24<sup>th</sup> Aug, 2018

### USD LIBOR

1 mth	2.07%
3 mths	2.32%
6 mths	2.52%
12mths	2.82%

### LKR AWPL Rates

Weekly	11.91%
Monthly	11.41%
Semi Annual	11.26%

### Foreign Exchange Rates

	Friday Closing New York
EUR/USD	1.1622
USD/JPY	111.24
AUD/USD	0.7328
GBP/USD	1.2846

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