

Weekly Treasury Market Report

10th September, 2018

03rd Sep – 07th Sep 2018

LOCAL MARKET

The Sri Lankan Rupee appreciated against dollar for the first time in 2 weeks to trade at 161.50 on Thursday, after touching a historical low of 162.63 in the interbank market. The Rupee appreciated after Central Bank announced a downward revision of limits on foreign currency exposures held by commercial banks, thus prompting few banks to trim their foreign currency exposures. This move helped the local currency to settle at 162.10 by end of the week. The trading range for the week under review was 161.50-162.63. We expect the dollar to hold above 161.70 with an upward bias as demand for the green back from importers and investors in government securities and equities will remain intact in the medium term. All emerging market regional currencies have weakened against the Usd during 2018 and Indian rupee has depreciated more than 12.88 % in 2018 to close at an all-time high of 72.20 against the USD. The Sri Lankan rupee has depreciated by 5.5% so far in 2018. We expect to see a range of 161.80-162.50 next week Usd/Lkr premiums closed virtually unchanged from the previous week to close at 0.78, 2.40, 4.75 and 9.80 for 1, 3, 6 and 12months respectively.

Overnight call money rates continued to trade in a range of 7.75%-7.85% last week

INTERNATIONAL MARKET

The U.S. dollar rose against a basket of other currencies on Friday, as U.S. job growth surged in August, but investor concerns about a possible escalation of the U.S.-Chinese trade conflict held gains in check.

Nonfarm payrolls surged by 201,000 jobs last month, the U.S. Labor Department said on Friday. Average hourly earnings increased 0.4 percent in August, resulting in an annual increase 2.9 percent, the largest since June 2009. Strengthening wage growth underscores tight labor market conditions and cements the likelihood of a third interest rate increase from the Federal Reserve this year when policymakers meet on Sept. 25-26.

U.S. data in the week ahead includes the JOLTS jobs, real weekly earnings, retail sales and industrial production. Key data out of the euro zone includes German ZEW and CPI and EZ industrial production. It will be a busy week for UK data, with July GDP estimates to be released, along with IP, trade and employment data.

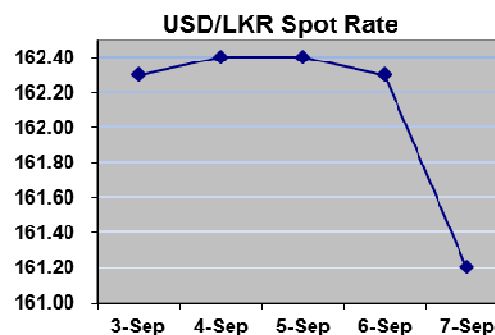
The Australian dollar skidded to near a 2-1/2-year low following weak home loan data and as trade-related tensions continued to pressure commodity-linked currencies. The New Zealand dollar slipped to trade just above a recent 2-1/2 year low of \$0.6530.

Sterling jumped to a one-week high against the dollar on news the European Union's chief Brexit negotiator, Michel Barnier, told British lawmakers earlier this month that he wanted to discuss with the UK how to solve the Irish border issue but that both sides were under great time pressure. (Source – Reuters)

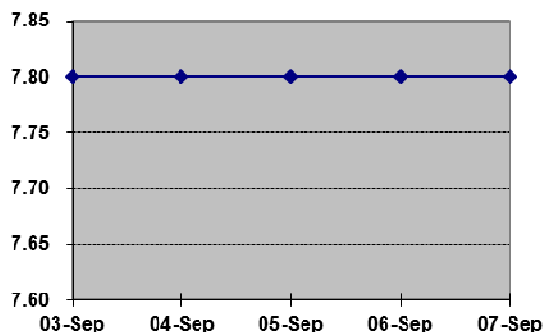
Primary Market Treasury Bills

Week Ending 07th Sep, 2018

	W/avg.	Previous	Change
3 m	8.00%	8.03%	- 0.03%
6 m	-	-	-
12m	8.97%	8.99%	- 0.02%



Interbank Lkr O/N rates %



As at 07th Sep, 2018

USD LIBOR

1 mth	2.13%
3 mths	2.33%
6 mths	2.54%
12mths	2.85%

LKR AWPL Rates

Weekly	11.53%
Monthly	11.65%
Semi Annual	11.33%

Foreign Exchange Rates

	Friday Closing
	New York
EUR/USD	1.1553
USD/JPY	110.99
AUD/USD	0.7107
GBP/USD	1.2920

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