

Weekly Treasury Market Report

05th February, 2019

28th Jan – 01st Feb 2019

LOCAL MARKET

The Sri Lankan rupee gained more than 2.5% pct, against the US currency last week, a largest weekly gain in more than a decade to close at 177.00 from 181.50. Interbank selling coupled with investor led selling helped to local currency to strengthen in relatively thin market conditions. According to market sources, foreign investors bought more than Lkr 5.66 bln worth of Treasury bonds during 2 weeks ending 30th January as there is a renewed focus by overseas funds to revert back to emerging markets after moving to US in the 2018-2019 on higher US interest rates. Importer demand was moderate due to January being a lean period and expected to gather momentum in the coming months.

Forward premiums closed marginally lower from the previous week to close at 0.85, 2.75, 5.70, and 11.65 for 3, 6, and 12 months respectively.

Sri Lanka's trade deficit narrowed to Usd 785 mln in November 2018 from Usd 999 mln in the same year. Exports rose 4.1pct to Usd 980 mln, while imports fell by 9.1pct to Usd 1765 mln amid decline in consumer and capital goods.

Overnight call rates remained in a range of 8.95%-9.00% throughout last week. Market liquidity shortfall was at Lkr 106.0 bln last week.

INTERNATIONAL MARKET



The U.S. dollar decreased on Friday amid rising euro as inflation in the 19-country euro zone was expected to decline in January, which was in line with analysts' expectations.

Euro area inflation was expected to fall to 1.4 percent in January from 1.6 percent a month earlier, according to a flash estimate released by the statistical office of the European Union on Friday.

Besides, the U.S. Federal Reserve's pledged patience on future interest rate moves has continued to weigh down the greenback in global foreign exchange markets.

The Fed decided on Wednesday to keep interest rates unchanged and pledged patience in future interest rates policy, signaling more caution on its outlook.

"In light of global economic and financial developments and muted inflation pressures, the Committee will be patient as it determines what future adjustments to the target range for the federal funds rate may be appropriate to support these outcomes," the Federal Open Market Committee said in a statement.

That would possibly increase the money flow in global financial markets later this year, which makes the dollar less valuable compared with other currencies.

In late New York trading, the euro increased to 1.1460 dollars from 1.1444 dollars in the previous session, and the British pound was down to 1.3082 U.S. dollars from 1.3111 dollars in the previous session. The Australian dollar fell to 0.7250 dollar from 0.7264.

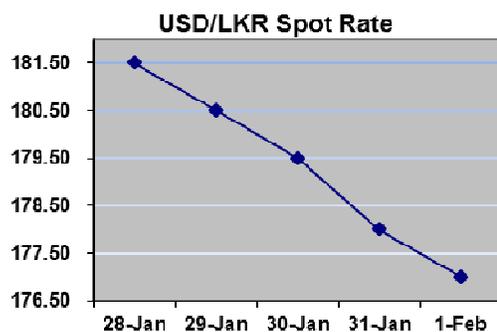
The U.S. dollar bought 109.51 Japanese yen, higher than 108.87 Japanese yen of the previous session. The dollar rose to 0.9951 Swiss franc from 0.9946 Swiss franc, and it decreased to 1.3087 Canadian dollars from 1.3131 Canadian dollars.

(Source – Reuters)

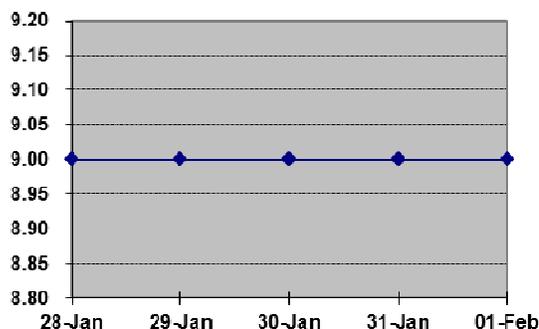
Primary Market Treasury Bills

Week Ending 01st FEB 2019

	W/avg.	Previous	Change
3 m	-	-	-
6 m	-	9.87%	-
12m	10.69%	10.70%	- 0.01 %



Interbank Lkr O/N rates %



As at 04th Feb, 2019

USD LIBOR

1 mth	2.51%
3 mths	2.73%
6 mths	2.79%
12mths	2.98%

LKR AWPL Rates

Weekly	12.27%
Monthly	12.05%
Semiannual	11.92%

Foreign Exchange Rates

	Monday Closing New York
EUR/USD	1.1438
USD/JPY	109.89
AUD/USD	0.7226
GBP/USD	1.3037

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