

Weekly Treasury Market Report

11th February, 2019

05th Feb – 08th Feb 2019

LOCAL MARKET

The USD bounced back against the Sri Lankan rupee by end of last week's trading to close at 178.0 after touching a low of 177.00 on Tuesday. The market was well offered in USD by banks with foreign investors and exporters entering the market and volumes outweighed the demand from the importers. However, the rupee ended marginally weaker at 178.0 by Friday on the back of intermittent buying of USD by a state bank throughout the week. According to reports from the Central Bank of Sri Lanka, total G Sec holding by foreign investors increased on week on week basis by approx. Lkr 11.0 bln (Usd 61.0 mln) reflecting the current Usd/Lkr rate movement. Forward premiums closed marginally lower from the previous week to close at 0.80, 2.70, 5.60, and 11.55 for 3, 6, and 12 months respectively.

In other news, Sri Lanka's forex reserves fell to Usd 6.1 bln in January, down from 6.19 bln in December as the Central Bank of Sri Lanka had to use the reserves to meet the Short fall in repayment of foreign currency bonds which matured in January. However, the scheduled issuance of sovereign bonds and other funding arrangements is expected to boost the reserves.

Overnight call rates remained in a range of 8.95%-9.00% throughout last week. Market liquidity shortfall was at Lkr 96.0 bln last week.

INTERNATIONAL MARKET



The dollar held steady against a basket of currencies on Friday, keeping it on track for its strongest weekly gain in six months, as traders piled into the greenback in a safe-haven move on worries about a weakening global economy. The euro hovered at a two-week low with support at \$1.13. The single currency was briefly set for its steepest weekly drop in four months earlier on Friday in the wake of data that showed an economic slowdown in Europe was spreading. "The rally that propelled the dollar broadly higher last year has enjoyed renewed life with U.S. growth remaining solid while peers abroad lose momentum," said Joe Manimbo, senior market analyst at Western Union Business Solutions in Washington.

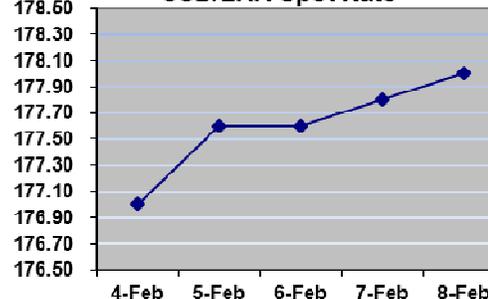
The euro was down 0.05 percent at \$1.13320, putting its weekly decline at about 0.9 percent. The European Commission cut its growth and inflation forecasts on Thursday as downside surprises to German and Spanish industrial orders fueled worries about an accelerating slowdown. Those figures have weighed on local bond markets. Core European government debt yields touched their lowest in over two years. Benchmark German yields were just 10 basis points away from zero percent. U.S. yields also fell on the week, holding above the lows of their recent trading range. With Chinese markets closed for Lunar New Year this week, market volatility declined. Anxieties about the global economy were compounded by comments from U.S. President Donald Trump indicating he did not plan to meet with Chinese President Xi Jinping before a March 1 deadline to achieve a trade deal. That helped the perceived safe-haven currencies such as the Japanese yen and the Swiss Franc hold up against the dollar. The dollar was last at 109.75 yen, while the greenback was down 0.22 percent at 1.00025 Swiss francs. Sterling was marginally lower at \$1.2947. Traders expect the pound to remain volatile because of the uncertainty surrounding Brexit. (Source – Reuters)

Primary Market Treasury Bills

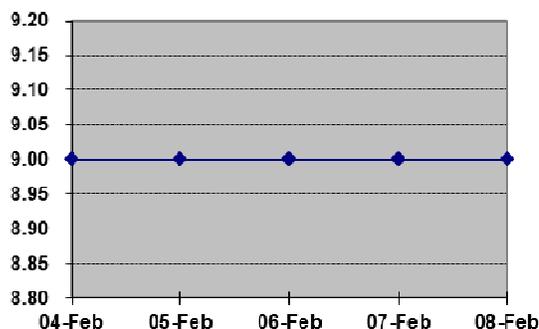
Week Ending 08th FEB 2019

	W/avg.	Previous	Change
3 m	9.57%	-	-
6 m	9.87%	-	-
12m	10.60%	10.69%	- 0.09 %

USD/LKR Spot Rate



Interbank Lkr O/N rates %



As at 08th Feb, 2019

USD LIBOR

1 mth	2.50%
3 mths	2.69%
6 mths	2.74%
12mths	2.93%

LKR AWPL Rates

Weekly	12.22%
Monthly	12.05%
Semiannual	11.92%

Foreign Exchange Rates

	Friday Closing New York
EUR/USD	1.1323
USD/JPY	109.73
AUD/USD	0.7088
GBP/USD	1.2944

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