

Weekly Treasury Market Report

08th April, 2019

01st Apr – 05th Apr 2019

LOCAL MARKET

The Sri Lankan rupee ended weaker on Friday due to dollar demand as importers purchased the greenback. The rupee dipped 0.1 percent to end at 174.90 to the dollar, compared with Thursday's close of 174.80. However the rupee managed to close higher on a weekly basis after opening at 175.25 last Monday as exporters and investors dominated the market. The currency gained 4.4 percent so far this year, as exporters converted dollars and foreign investors purchased government securities amid stabilizing investor confidence after the country repaid a \$1 billion sovereign bond in mid-January. The market will focus on today's monetary board meeting in the evening as market expect a 25-50 basis points cut in the bench market Lkr interest rates. Tbill yields dipped by 25 basis points on the 1 year maturity on expectations of a rate cut (See Table 1)

Forward premiums closed almost unchanged in the 1 and 12 months tenor, while up by 15-20 cents on the 3 and 6 months to close at 0.90, 2.75, 5.50 and 10.70 for 1, 3, 6 and 12 months.

Overnight call rates remained unchanged at 8.80%-8.90% with market liquidity short at Lkr 76.0bln

INTERNATIONAL MARKET



The dollar rose on Friday after a jobs report for March showed that U.S. job gains were better than expected during the month while wage pressures were muted. Nonfarm payrolls rose by 196,000 jobs last month. Data for February was revised modestly up to show payrolls rising by 33,000 jobs instead of the previously reported 20,000. February job gains were the smallest since September 2017. Wage gains also slowed in March and more people dropped out of the labor force. Average hourly earnings increased by four cents or 0.1 percent in March after jumping 0.4 percent in February. Investors are focused on data for further clues about Federal Reserve policy after the U.S. central bank stunned markets in March by abandoning projections for any interest rate hikes this year.

President Donald Trump said on Friday the Fed should lower interest rates and take other unconventional measures to ease pressure on an economy that he said they slowed down. Trade talks between the U.S. and China are also in focus as investors hope an agreement may remove some global headwinds to growth. Trump said on Thursday the countries were close to a deal that could be announced within four weeks, while warning Beijing that it would be difficult to allow trade to continue without a pact. Sterling weakened on Friday as doubts swirled over British Prime Minister Theresa May's attempt to further delay Brexit.

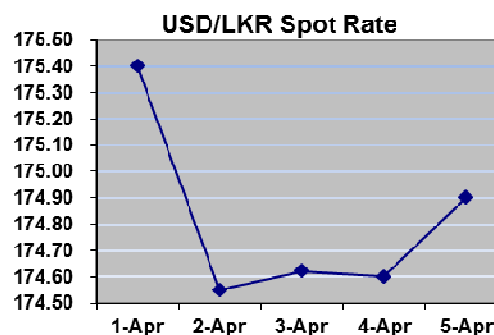
Sterling closed at 1.3038 almost flat from a week ago while Euro and Jpy closed at 1.1216 and 111.73. Aud ended trading at 0.7100 almost unchanged from a week ago

(Source – Reuters)

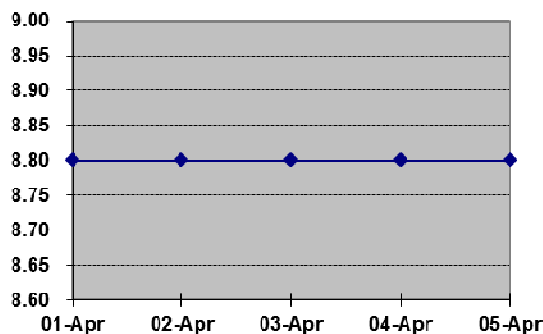
Primary Market Treasury Bills

Week Ending 05th APR 2019

| | W/avg. | Previous | Change |
|-----|--------|----------|--------|
| 3 m | 9.24% | 9.39% | -0.15% |
| 6 m | 9.67% | 9.67% | -0.00% |
| 12m | 10.15% | 10.40% | -0.25% |



Interbank Lkr O/N rates %



As at 05th Apr, 2019

USD LIBOR

| | |
|--------|-------|
| 1 mth | 2.47% |
| 3 mths | 2.59% |
| 6 mths | 2.64% |
| 12mths | 2.75% |

LKR AWPL Rates

| | |
|------------|--------|
| Weekly | 11.94% |
| Monthly | 12.23% |
| Semiannual | 12.16% |

Foreign Exchange Rates

| | Friday Closing New York |
|---------|----------------------------|
| EUR/USD | 1.1216 |
| USD/JPY | 111.73 |
| AUD/USD | 0.7105 |
| GBP/USD | 1.3038 |

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