

# Weekly Treasury Market Report

21<sup>st</sup> May, 2019

**13<sup>th</sup> May – 17<sup>th</sup> May 2019**

## LOCAL MARKET

The US dollar closed marginally lower against the Sri Lankan rupee at 176.00, down from 176.25 a week ago. The Usd/Lkr rate was range bound at 175.60-176.60 throughout the week with investors and exporters were interested in selling the US currency above 176.50 levels while demand from the importers was relatively subdued. Forward premiums closed virtually unchanged at 0.95, 2.75, 5.50 and 10.60 for 1, 3, 6 and 12 months.

On the 13<sup>th</sup> May, Executive Board of the International Monetary Fund (IMF) completed the Fifth Review of Sri Lanka's economic performance under the program supported by an extended arrangement under the Extended Fund Facility (EFF) and released the final disbursement of Usd 164.1 mln after a delay of 6 months.

Overnight call rates remained unchanged at 8.40% after trading in a range of 8.35%-8.40% with market liquidity in the surplus at Lkr 38. Bln. 1 year T bill yield dropped sharply by 26 basis points (see chart) with increased speculation of a rate cut at the next monetary board meeting. Long-term T bond yields also traded lower by 10-20 basis points.

## INTERNATIONAL MARKET



U.S. dollar continued to tick up in late trading on Friday, amid a weaker British pound, as investors remain growingly anxious about the ongoing chaos surrounding Brexit. Britain's cross-party discussions over Brexit on Friday ended without any agreement six weeks after they started. The British Opposition Labor leader Jeremy Corbyn said in a letter to Prime Minister Theresa May that the talks could not carry on because of "the increasing weakness and instability" of the government.

The latest development came one day after May promised to set a timetable for leaving Downing Street following a Parliament vote on the Withdraw Agreement Bill, the legislation needed to implement her deal, next month.

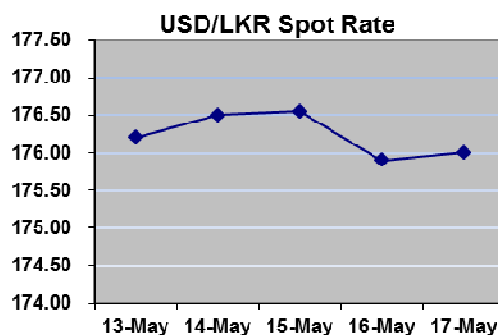
The dollar index, which measures the greenback against six major peers, increased 0.14 percent at 97.9929 in late trading. In late New York trading, the euro was down to 1.1159 dollars from 1.1171 dollars in the previous session, and the British pound was down to 1.2725 dollars from 1.2791 U.S. dollars in the previous session. The U.S. dollar bought 110.10 Japanese yen, higher than 109.84 Japanese yen of the previous session. The U.S. dollar rose to 1.0110 Swiss francs from 1.0101 Swiss francs, and it fell to 1.3442 Canadian dollars from 1.3462 Canadian dollars

The Australian dollar decreased to 0.6866 dollar from 0.6893 dollar and remains under pressure as RBA minutes suggests of a rate cut soon rather than later. The market expect a rate cut in June as the newly reelected conservative coalition government scramble to boost the weakening economy hit by slowdown in household consumption. The current bank rate is at 1.5% lowest in decades. (Source - Reuters)

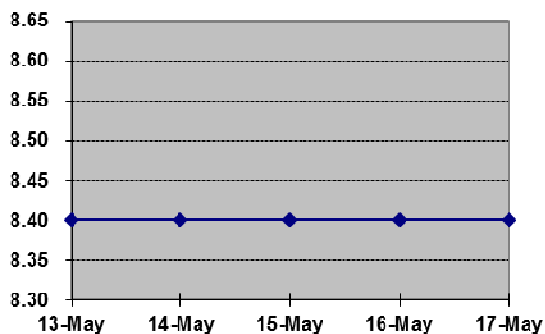
## Primary Market Treasury Bills

Week Ending 17<sup>th</sup> May 2019

	W/avg.	Previous	Change
3 m	8.52%	8.51%	+0.01%
6 m	8.88%	9.00%	-0.12%
12m	9.18%	9.44%	-0.26%



## Interbank Lkr O/N rates %



As at 20<sup>th</sup> May, 2019

### USD LIBOR

1 mth	2.44%
3 mths	2.52%
6 mths	2.56%
12mths	2.65%

### LKR AWPL Rates

Weekly	12.14%
Monthly	12.07%
Semiannual	12.12%

### Foreign Exchange Rates

	Friday Closing New York
EUR/USD	1.1170
USD/JPY	110.05
AUD/USD	0.6906
GBP/USD	1.2726

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