

Weekly Treasury Market Report

27th May, 2019

20th May – 24th May 2019

LOCAL MARKET

The Sri Lankan rupee closed trading at 176.50 against the US dollar on Friday, down from 176.10 a week ago. The local currency traded in a narrow range of 176.20-176.60 throughout last week with an upward bias on importer and investor demand. Over all, the market trading volumes were moderate with an average of Usd 43 mln per day with no open market activity seen from the Central Bank. The Central Bank purchased Usd 51.2 mln in April while sold Usd 35.20 from the open market to curb any excess volatility in the market.

Rupee T bill and bond holdings by foreign investors inched up by Usd 11.0 mln to close at Usd 816.0 mln up from Usd 805.0 mln a week ago. Forward premiums closed virtually unchanged at 0.95, 2.75, 5.50 and 10.60 for 1, 3, 6 and 12 months.

Overnight call rates traded remained unchanged at 8.40%- 8.50% with market liquidity in the surplus at Lkr 72.7 Bln up from 38 bln a week ago. T- Bill yields continued to dip especially in the 1 year maturity by another 28 basis points to close below 9.0% in 2 consecutive auctions. (See chart)

INTERNATIONAL MARKET



The dollar fell on Friday from a two-year high against a basket of major currencies after orders for U.S.-made capital goods fell, further evidence that manufacturing and the broader economy are slowing, due in part to the U.S.-China trade dispute.

The weaker-than-expected data, a closely watched proxy for business spending plans, drove the dollar lower and added to a fall which began Thursday following a report that showed manufacturing activity hit its lowest level in almost a decade.

Taken together, the reports suggested a sharp slowdown in U.S. economic growth is under way, which could affect the dollar's safe-haven status. The dollar index was down 0.27% at 97.587 from a two-year high of 98.371 hit in the previous session.

China on Friday denounced U.S. Secretary of State Mike Pompeo for fabricating rumors after he said the chief executive of China's Huawei Technologies Co Ltd was lying about his company's ties to the Beijing government. Escalating trade tensions and weak data have fueled rate cut expectations by the U.S. Federal Reserve. Money markets now broadly expect one rate cut by October followed by another by January 2020.

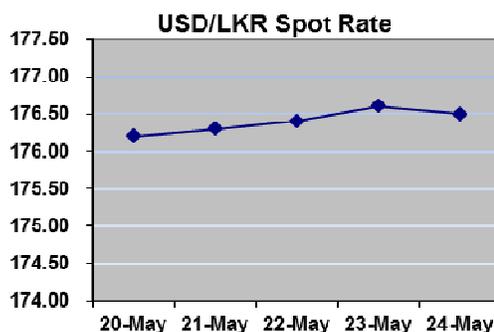
Dollar weakness also helped boost sterling from a 4-1/2-month low, though the rally was primarily driven by UK Prime Minister Theresa May's announcement on Friday that she would quit after failing to deliver a Brexit deal. The move sets up a contest that will bring a new prime minister to power who could pursue a cleaner break with the European Union. The pound was last up 0.5% at \$1.272. The euro was also stronger on Friday, up 0.24% to \$1.121, benefiting from the dollar's weakness and from the Dutch part of the EU parliamentary elections.

(Source - Reuters)

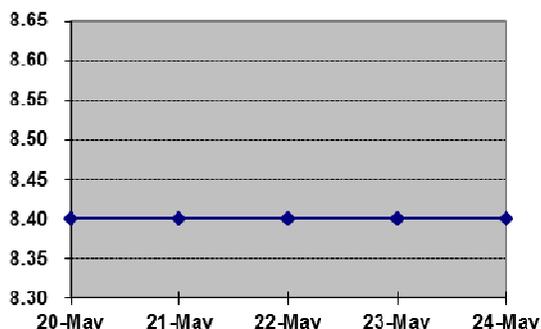
Primary Market Treasury Bills

Week Ending 24th May 2019

| | W/avg. | Previous | Change |
|-----|--------|----------|--------|
| 3 m | - | 8.52% | +0.01% |
| 6 m | 8.71% | 8.88% | -0.12% |
| 12m | 8.90% | 9.18% | -0.26% |



Interbank Lkr O/N rates %



As at 24th May, 2019

USD LIBOR

| | |
|--------|-------|
| 1 mth | 2.43% |
| 3 mths | 2.52% |
| 6 mths | 2.55% |
| 12mths | 2.62% |

LKR AWPL Rates

| | |
|------------|--------|
| Weekly | 11.93% |
| Monthly | 12.07% |
| Semiannual | 12.12% |

Foreign Exchange Rates

| | Friday Closing New York |
|---------|----------------------------|
| EUR/USD | 1.1200 |
| USD/JPY | 109.29 |
| AUD/USD | 0.6923 |
| GBP/USD | 1.2712 |

For any queries, please contact NDB Treasury on 2446994
 Sunil Karunaratne -sunil.karunaratne@ndbbank.com
 Eranga Weerasekera -eranga.weerasekera@ndbbank.com
 Vinoth Fernando -vinoth.fernando@ndbbank.com

