24th May – 28th May 2019

LOCAL MARKET

The Usd/Lkr rate was relatively stable as it traded in a range of 176.20-176.60 with an upward bias throughout the week. The spot rate closed trading at 176.50, unchanged from the previous week as importers covered their positions at the lower end of the range keeping the dollar underpinned, while exporters and investors were seen selling the greenback above 176.40-50 levels. The market volumes were marginally high compared to last week with average weekly volume increased up to Usd 54.mln from Usd 49.0 mln a week ago. Foreign investors bought Usd 40.0 mln worth of T bill and bonds. Forward premiums plummeted after the MOF rate announcement as it closed at 0.80, 2.35, 4.60 and 9.50 for 1, 3, 6 and 12 months.

Monetary board of Sri Lanka revised its key benchmark interest rate down by 50% on Friday, keeping in line with the market expectations. Central Bank’s SFDR and SFLR now stands at 7.50%-8.50%.

Overnight call rates traded remained unchanged at 8.40%- 8.50% with market liquidity in the surplus at Lkr 71.23 bln.

INTERNATIONAL MARKET

The U.S. dollar weakened against its major rivals in late trading on Friday as market participant digested the newly-released inflation data as well as the U.S. administration’s tariff threat on Mexico. The U.S. personal consumption expenditures (PCE) price index increased 0.3 percent in April, the Bureau of Economic Analysis said on Friday. Excluding food and energy, the PCE price index increased 0.2 percent.

According to the report, in the 12 months through April, the so-called core PCE price index, a preferred inflation gauge by the Federal Reserve, was up 1.6 percent, below the central bank’s target of 2 percent. Meanwhile, traders also paid close attention to the latest news on global trade.

U.S. President Donald Trump said on Thursday he would impose a new 5-percent tariff on all imported Mexican goods beginning June 10 so as to pressure the country to halt undocumented migrants crossing the border, a move that worries many.

The dollar index, which measures the greenback against six major peers, decreased 0.38 percent at 97.7758 in late trading.

In late New York trading, the euro rose to 1.1169 dollars from 1.1134 dollars in the previous session, and the British pound rose to 1.2631 dollars from 1.2609 U.S. dollars in the previous session.

The Australian dollar was up to 0.6938 dollar from 0.6911 dollar.

The U.S. dollar bought 108.43 Japanese yen, lower than 109.54 Japanese yen of the previous session. The U.S. dollar fell to 1.0007 Swiss francs from 1.0073 Swiss francs, and it increased to 1.3523 Canadian dollars from 1.3509 Canadian dollars.

RBA is set to cut its cash rate to 1.25% on Tuesday, in what would be the RBA’s first move since August 2016.

(Source – Reuters)