

Weekly Treasury Market Report

24th June, 2019

17th Jun – 21st Jun 2019

LOCAL MARKET

The Rupee closed marginally higher against the US currency at 176.80 from 176.90 a week ago. Market activity was moderate as the currency traded in a narrow range of 176.65-176.95 throughout the week. Increased activity from exporter and investor led selling was evident throughout the week. However the rates remained underpinned above 176.60 levels with the help of Central bank buying and regular importer cover. T bill and bond holding by foreign investors edged marginally higher to Lkr 143.83 bln from Lkr 142.95 bln registering an increase of 0.63%. Forward premiums closed flat at 0.70, 2.15, 4.30 and 9.50 for 1, 3, 6 and 12 months.

In other news, Sri Lanka have started marketing the bench mark senior unsecured US dollar sovereign bonds in two tranches in 5 and 10 years at an indicative yields of 6.6% and 7.8%. The quantum of the issue is not known yet but the market speculation is to be in the range of Usd 1.0bln Usd 1.5 bln.

Overnight call rates closed unchanged at 8.0% after trading in a range of 7.90%-8.00%. Market liquidity remains surplus at Lkr 56.08 bln.

INTERNATIONAL MARKET



The dollar fell on Friday to three-month lows against a basket of currencies on bets the Federal Reserve would start lowering interest rates, while the yen rose to a five-month high versus the dollar on growing tensions between Iran and the United States.

The greenback's weakness propelled the euro to three-month highs. The single currency was also buoyed by stronger-than-forecast survey data on French and German business activity. The dollar extended its losses for three straight sessions since the Federal Reserve on Wednesday signaled it was prepared to lower interest rates later this year. The Fed and the European Central Bank this week hinted they were open to ease policies to counter a global economic slowdown, exacerbated by global trade tensions.

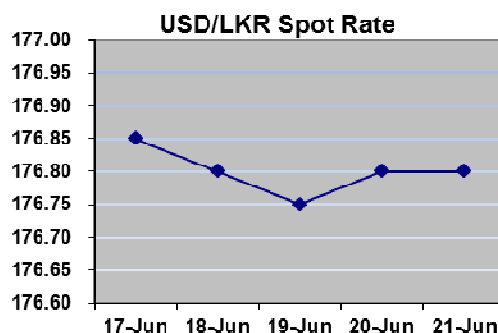
The focus now shifts to whether Washington and Beijing can resolve their trade dispute at a summit in Japan next week of leaders from the Group of 20 leading world economies. U.S. President Donald Trump and Chinese President Xi Jinping are due to meet at the G20 next weekend, but analysts say chances of a decisive breakthrough are low.

The greenback was 0.67% lower at \$1.1368 per euro after touching \$1.1334, the lowest since March 22. Against a basket of currencies, the dollar was 0.42% lower at 96.219 after hitting 96.204, the lowest since March 21. The dollar enjoyed a brief respite on news of stronger-than-forecast sales in U.S. existing homes in May. The encouraging news offset IHS Markit data that showed manufacturing growth weakened to its most sluggish level since September 2009 in June, while services sector activity slumped to its lowest level since February 2016. Friday's U.S. data did not change traders' expectations the Fed would lower key lending rates, as early as July. (Source – Reuters)

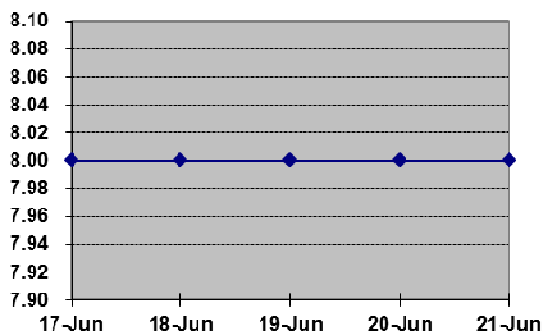
Primary Market Treasury Bills

Week Ending 21st June 2019

| | W/avg. | Previous | Change | |
|-----|--------|----------|--------|---------------|
| 3 m | 8.38% | 8.38% | - | |
| 6 m | 8.60% | 8.63% | -0.03% | |
| 12m | 8.83% | 8.88% | -0.05% | *R - Rejected |



Interbank Lkr O/N rates %



As at 21st June, 2019

USD LIBOR

| | |
|--------|-------|
| 1 mth | 2.40% |
| 3 mths | 2.35% |
| 6 mths | 2.22% |
| 12mths | 2.20% |

LKR AWPL Rates

| | |
|------------|--------|
| Weekly | 11.53% |
| Monthly | 12.01% |
| Semiannual | 12.10% |

Foreign Exchange Rates

| | Friday Closing New York |
|---------|----------------------------|
| EUR/USD | 1.1366 |
| USD/JPY | 107.30 |
| AUD/USD | 0.6923 |
| GBP/USD | 1.2740 |

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