

Weekly Treasury Market Report

01st July, 2019

24th Jun – 28th Jun 2019

LOCAL MARKET

The Sri Lankan rupee was stuck in a narrow range of 176.40-176.70 throughout last week trading. The dollar closed at 176.60 marginally higher by 0.20 cents compared to the previous week of 176.80. Exporters and foreign investor led selling continued to add liquidity to foreign exchange market, while importer demand was limited. The news of Sri Lanka successfully rising Usd 2.0 in sovereign bonds from international markets last week also increased the sentiment of easing pressure on the Lkr in the medium-term. However, we do not expect a drastic appreciation of the rupee as CBSL may continue to purchase USD from the open markets to boost its reserve for 2019. The Rupee has appreciated by more than 3.5% against the Usd for 2019, after recording a highest depreciation of 17% in 2018.

Forward premiums closed lower at 0.70, 2.00, 4.05 and 8.45 for 1, 3, 6 and 12 months.

Overnight call rates closed at 7.90% after trading in a range of 7.90%-8.00%. Market liquidity remains in the surplus at Lkr 34.0 bln.

INTERNATIONAL MARKET



The yuan gained and the safe-haven yen slid against the dollar on Monday as appetite for risk-sensitive currencies improved after the United States and China agreed to restart their troubled trade talks.

The dollar was up 0.3% at 108.235 yen after going as high as 108.510. In offshore markets, the Chinese yuan initially gapped up to as much as 6.8166 per dollar, its highest level since May 9. It later pared gains to 6.8381 but was still up 0.5%.

After meeting Chinese President Xi Jinping in Japan on Saturday on the sidelines of Group of 20 summit, U.S. President Donald Trump said he would hold back on new tariffs and that China will buy more farm products. Trump also said the U.S. Commerce Department would study over the next few days whether to take Huawei off the list of firms banned from buying components and technology from U.S. companies without government approval.

Economists polled by Reuters expect U.S. non-farm payrolls, which will be released on Friday, to have risen to 160,000 in June from 75,000 in May. Other key U.S. data due this week include Wednesday's Institute of Supply Management's (ISM) non-manufacturing activity index for June. At a June 18-19 policy meeting the Federal Reserve opened the door for possible interest rate cuts later this year. But comments last week from central bank officials, including Chair Jerome Powell, and the weekend agreement to resume Sino-U.S. trade talks have cooled expectations for aggressive rate cuts.

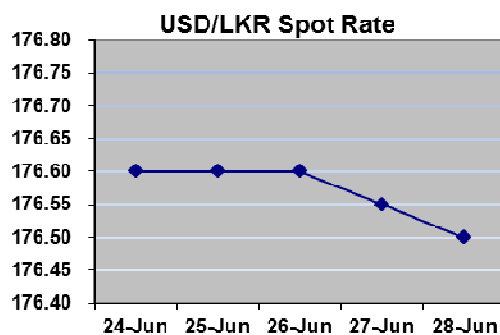
The Swiss franc, another safe-haven currency, fell 0.5% to 0.9808 franc to the dollar. The Australian dollar sensitive to the economic fortunes of China, the country's largest trading partner, was down 0.25% at \$0.7007 while the euro fell 0.15% to \$1.1351.

- (Source – Reuters)

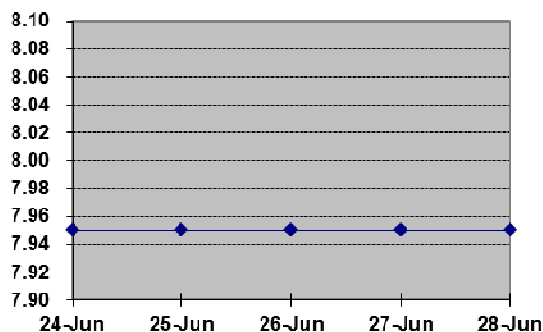
Primary Market Treasury Bills

Week Ending 28th June 2019

	W/avg.	Previous	Change	
3 m	8.24%	8.38%	-0.14%	
6 m	8.49%	8.60%	-0.11%	
12m	8.70%	8.83%	-0.13%	*R - Rejected



Interbank Lkr O/N rates %



As at 28th June, 2019

USD LIBOR		LKR AWPL Rates	
1 mth	2.40%	Weekly	11.52%
3 mths	2.32%	Monthly	11.45%
6 mths	2.20%	Semiannual	12.02%
12mths	2.17%		

Foreign Exchange Rates

	Friday Closing New York
EUR/USD	1.1368
USD/JPY	107.88
AUD/USD	0.7020
GBP/USD	1.2693

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