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Weekly Treasury Market Report

08th July, 2019

01st Jul – 05th Jul 2019

LOCAL MARKET

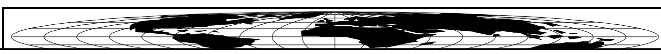
The Sri Lankan rupee closed higher against the US currency in a lackluster week of trading to close at 176.10, from 176.60 a week ago. The market volumes were relatively low and traded in a range of 176.00-176.40 with Central Bank seen buying the USD in the open market at the lower end of the range.

A steady supply of US currency from exporters and investors helped the local currency to strengthen with limited demand seen from importers. The rupee has appreciated by 3.8% year-to date as the government curtailed non-essential imports though prohibitive taxes and duties, thus easing the trade deficit compared to the previous year. Forward premiums closed unchanged from previous week to close at 0.70, 2.00, 4.05 and 8.45 for 1, 3, 6 and 12 months respectively.

G-Sec holdings by foreign investors dipped by Lkr 4.0 bln from Lkr 146 bln to 142bln last week.

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 43.0 bln.

INTERNATIONAL MARKET



The dollar rose broadly on Monday after strong U.S. jobs growth in June suggested the Federal Reserve will not aggressively cut interest rates later this month. U.S. nonfarm payrolls rebounded in June to 224,000, the most in five months, data showed on Friday, beating economists' consensus estimate of 160,000. The solid outcome virtually wipes out chances for a half point Fed rate cut at the end of July, but moderate wage gains among other data showing the world's largest economy was losing steam could still encourage the central bank to cut rates by 25 basis points. The dollar index climbed to as high as 97.443 on Friday, its highest level since June 19, as U.S. Treasury yields rose across the board.

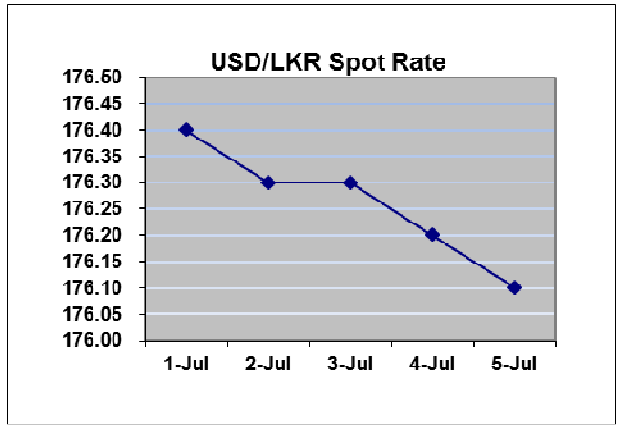
The index, which measures the greenback against a basket of major currencies, was last quoted at 97.277, almost flat in early Asian trade on Monday, with the euro traded at $1.1223. Against the yen, the dollar advanced to as high as 108.640 on Friday, it's highest since June 18. The pair was last quoted at 108.51 yen.

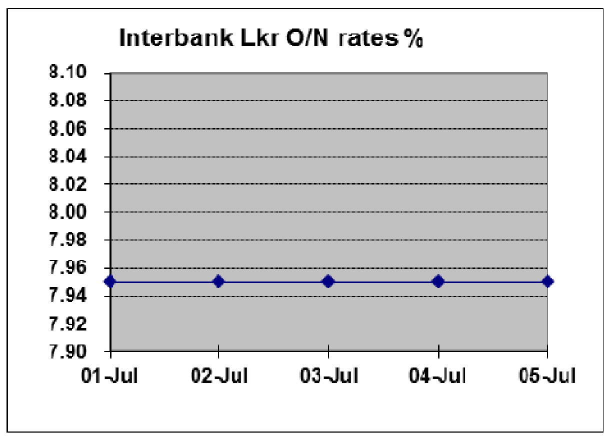
There is no great urgency for the Fed to act, and surely not by the half a percentage point move," said Marc Chandler, chief market strategist at Bannockburn Global Forex. As traders' focus quickly shifted to Federal Reserve Chairman Jerome Powell's Congressional testimony, due Wednesday and Thursday this week, Chandler said it might be too late to persuade the market that the Fed will not cut rates now. The British pound hit a six-month low to the dollar on Friday, after poor economic data and a rise in expectations that the Bank of England will cut interest rates. Better-than-expected U.S. jobs data sparked a rally in the dollar, adding to sterling's losses. Sterling plunged to as low as $1.2481, its lowest since the "flash crash" on January 3 when the pound dropped to $1.2409. It last quoted at $1.2525. – (Source – Reuters)

Primary Market Treasury Bills

Week Ending 05th July 2019

	W/avg.	Previous	Change	
3 m	8.17%	8.24%	-0.07%	
6 m	8.32%	8.49%	-0.03%	
12m	8.59%	8.70%	-0.11%	*R - Rejected





As at 05th July, 2019

USD LIBOR		**LKR AWPL Rates**	
1 mth	2.37%	Weekly	11.13%
3 mths	2.31%	Monthly	11.45%
6 mths	2.21%	Semiannual	12.02%
12mths	2.19%		

Foreign Exchange Rates

	Friday Closing **New York**
EUR/USD	1.1224
USD/JPY	108.45
AUD/USD	0.6979
GBP/USD	1.2523

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