

Weekly Treasury Market Report

29th July, 2019

22nd Jul – 26th Jul 2019

LOCAL MARKET

The US dollar gained 0.34 pct. against the local currency to close at 176.25 after opening the week at 175.65. The demand for the US dollar was intact, mainly from the importers, while volumes from exporters and investors were low compared to the previous weeks, thus pushing the US currency above the 176.00 mark for the first time in 2 weeks. The trading range for the week was at 175.70-176.40. Forward premiums closed at 0.55, 1.90, 3.85 and 7.65 for 1, 3, 6 and 12 months respectively. So far the Sri Lankan rupee has appreciated by 3.66% against the USD despite a year to date net foreign out flow of Lkr 18.46 bln.

Sri Lanka's inflation in the 12-months to June 2019 fell to 3.8 percent from 5.0 percent in May, but the consumer price index continued to climb steadily as liquidity shortages ended. The Colombo Consumer Price Index rose 0.9 percent in the 30 days in June to 130.2 points. In May the index climbed 1.6 percent after rising 0.3 percent in April.

Overnight call rates closed at 7.90% after trading in a range of 7.80%-7.90%. Market liquidity remains in the surplus at Lkr 46.32 bln.

INTERNATIONAL MARKET



The dollar clung to a two-month high against a basket of currencies in Asia on Monday after better-than-expected U.S. GDP data last week enhanced its yield attraction against rival currencies.

The U.S. Federal Reserve is widely expected to cut interest rates for the first time in more than a decade this week, but such a move is widely seen as a pre-emptive one to protect the economy from global uncertainties and trade pressures, in contrast to some other countries that face more imminent risks. "What everyone is interested in right now is whether the U.S. will enter a full rate-cut cycle. The GDP figures were a bit stronger than expected, putting a dent to the view of the U.S. entering a long easing cycle," said Kiosk Suzuki, director of fore at Society General.

The dollar index stood little changed at 97.919, after having hit a two-month high of 98.093 on Friday. U.S. gross domestic product increased at a 2.1% annualized rate in the second quarter, above forecast of 1.8%, as a surge in consumer spending blunted some of the drag from declining exports and a smaller inventory build.

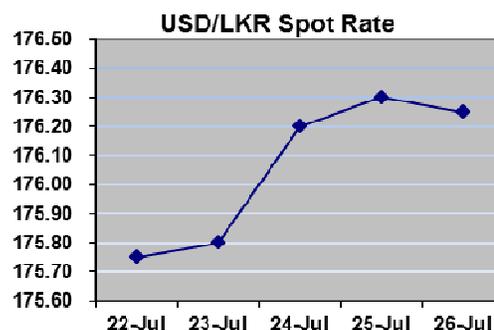
The European Central Bank signaled last week that it is likely to cut interest rates deeper into negative and adopt more easing measures in September to shore up the sagging euro zone economy. The euro stood at \$1.1131, almost flat in Asia and not far from Thursday's low of \$1.1101, a trough since May 2017.

The U.S. currency also got a minor boost from White House economic adviser Larry Ludlow, who said on Friday that the Trump administration has "ruled out" intervening in markets to lower the U.S. dollar's value. Against the yen, the dollar slipped 0.2% to 108.47 yen due largely to month-end selling by Japanese exporters, after having hit a two-week peak of 108.83 yen on Friday. – (Source – Reuters)

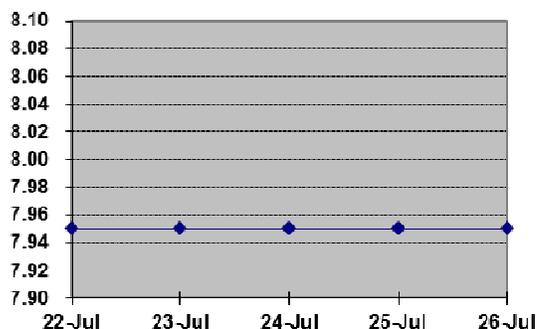
Primary Market Treasury Bills

Week Ending 26th July 2019

	W/avg.	Previous	Change	
3 m	7.89%	7.99%	-0.10%	
6 m	7.96%	8.09%	-0.13%	
12m	8.38%	8.46%	-0.08%	*R - Rejected



Interbank Lkr O/N rates %



As at 26th July, 2019

USD LIBOR		LKR AWPL Rates	
1 mth	2.23%	Weekly	10.84%
3 mths	2.27%	Monthly	11.45%
6 mths	2.20%	Semiannual	12.02%
12mths	2.20%		

Foreign Exchange Rates

	Friday Closing New York
EUR/USD	1.1125
USD/JPY	108.66
AUD/USD	0.6908
GBP/USD	1.2380

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