**Weekly Treasury Market Report**

**19th August, 2019**

**12th Aug – 16th Aug 2019**

**LOCAL MARKET**

The Usd/Lkr rate was range bound throughout the week with increased market turnover as demand from foreign investors and importers remained intact. The dollar held above the 177.00 level throughout the week. The Usd/Lkr rate closed trading at 177.30 after trading in a range of 177.20-177.50. Treasury bills/bonds held by foreign investors stabilized at Lkr 136.4 bln, unchanged from the previous week, but lower by Lkr 10 bln (approx. Usd 55.0 mln) from a fortnight ago. The demand for the dollar from foreign investors and importers was intact as stronger USD in the international market and increasing uncertainty over the concerns of a global recession in 2020 spooked the investors moving from the emerging markets to US treasuries and safe haven currencies such as Jpy and CHF in the short term. Forward premiums continued to trade lower across all tenors at 0.50, 1.35, 3.10 and 6.75 for 1, 3, 6 and 12 months respectively.

In other news, overnight call rates remained at 7.70% after trading in a range of 7.70%-7.80%. Market liquidity turned to a deficit of Lkr 28.0 bln.

**INTERNATIONAL MARKET**

Asian stocks rose on Monday as hopes of more stimulus from central banks around the world and steps being taken by major economies such as Germany and China soothed investors' fears of a sharp global economic slump.

Over recent weeks, recession anxiety - triggered by an inversion in the U.S. bond yield curve - has led to a shakeout in financial markets. That has driven speculation of more support from policy makers, including from the U.S. Federal Reserve which last month cut rates for the first time since the financial crisis. Wall Street shares had rebounded on Friday after a report that Germany's coalition government was prepared to set aside its balanced budget rule in order to take on new debt and launch stimulus steps to counter a possible recession.

The yen a gauge of risk sentiment due to its perceived status as a safe haven, weakened for its third successive session.

The Japanese currency last traded at 106.440 per dollar, having pulled back from a seven-month peak near 105.000 reached a week ago when events including unrest in Hong Kong and a meltdown in Argentina's markets triggered a fresh bout of anxiety in markets already shaken by the U.S.-China trade war. The dollar index against a basket of six major currencies hovered near a two-week high of 98.339 climbed on Friday. The index was supported as U.S. Treasury yields bounced back from recent lows in the wake of German stimulus hopes.

The euro was steady at $1.1089 while the Australian dollar nudged up 0.15% to $0.6786. Sterling held above the 1.2150 up from 1.2030 from the previous week. (Source – Reuters)

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