

Weekly Treasury Market Report

26th August, 2019

19th Aug – 23rd Aug 2019

LOCAL MARKET

The Monetary Board of Sri Lanka, reduced the Standing Deposit Rates (SLFR) and the Standing Lending Facility Rate (SLFR) by 50 basis points to 7.0% and 8.0% respectively. The market was widely surprised by the quantum of the rate cut as it expected a 25 basis point last week. The rupee fell against the US dollar for the 5th consecutive session on Friday, as foreign outflows continued to exit from the emerging markets due to concerns of global economic slowdown and continued spat between US and China over trade. G Sec holding by foreign investors dipped by 75mln from Usd 758 mln to 683 mln on a week on week basis and Usd/Lkr rate closed a tad below 180.00 at 179.75 on Friday. The Rupee weakened by 1.58% during the week under review and traded in a wide range of 177.30-180. Forward premiums continued to trade lower across all tenors at 0.40, 1.25, 2.60 and 6.25 for 1, 3, 6 and 12 months respectively.

Overnight call rates dipped to 7.20% after the reduction of the key rates and traded in range of 7.20% -7.70%. Market liquidity turned to a deficit of Lkr 28.0 bln.

INTERNATIONAL MARKET



The US dollar fell sharply on Friday, amid concerns over country's recent trade tensions with China which escalated after the latter said it would impose retaliatory tariffs on additional US products. The dollar index, which measures the greenback against six major peers, decreased 0.55 per cent at 97.6408 in late trading, Xinhua news agency reported.

On Friday, China announced its plans to impose an additional tariff on USD 75 billion worth of US products, in retaliation for Trump's threats to impose new duties on Chinese imports next month. The new duties would be implemented in two batches - the first from September 1 and the second from December 15, according to South China Morning Post. In late New York trading, the euro rose to 1.1145 dollars from 1.1085 dollars in the previous session, and the British pound increased to 1.2284 dollars from 1.2257 US dollars in the previous session. The Australian dollar was down to 0.6752 dollar from 0.6757 dollar.

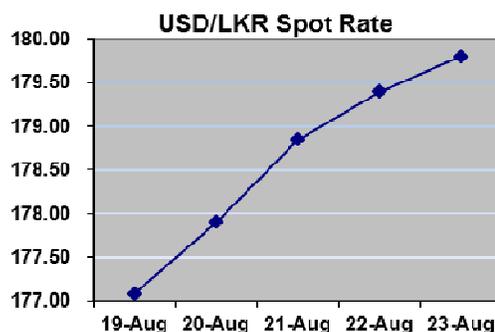
The U.S. dollar bought 105.29 Japanese yen, lower than 106.41 Japanese yen of the previous session. The U.S. dollar fell to 0.9742 Swiss francs from 0.9836 Swiss francs, and it was down to 1.3293 Canadian dollars from 1.3299 Canadian dollars. Based on laws and approved by China's State Council, a total of 5,078 US products will be subject to additional tariffs of 10 per cent or 5 per cent.

As market angst over the US and global economic growth built up, US Treasury bills, a traditional low-risk asset, saw retreating yields throughout the day, which indicated dampened investor sentiment. Following China's move, US President Donald Trump on Friday pledged to retaliate against the latest round of tariffs. (Source – Reuters)

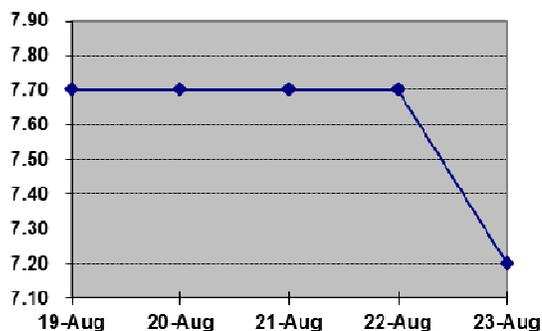
Primary Market Treasury Bills

Week Ending 23rd Aug 2019

	W/avg.	Previous	Change	
3 m	7.84%	7.80%	+0.04%	
6 m	7.89%	R	-	
12m	8.31%	8.17%	+0.14%	*R - Rejected



Interbank Lkr O/N rates %



As at 23rd August, 2019

USD LIBOR		LKR AWPL Rates	
1 mth	2.14%	Weekly	10.82%
3 mths	2.14%	Monthly	10.93%
6 mths	2.08%	Semiannual	11.83%
12mths	2.03%		

Foreign Exchange Rates

	Friday Closing New York
EUR/USD	1.1144
USD/JPY	105.39
AUD/USD	0.6754
GBP/USD	1.2277

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