

Weekly Treasury Market Report

9th September, 2019

02nd Sep - 06th Sep 2019

LOCAL MARKET

Usd/Lkr rate closed at 180.90-180.95 to the Us dollar on Friday. The Rupee traded in a wide range of 179.-180.95 week ending 2nd September. Exporters entered the markets above 181 levels. This level eased the pressure of the exchange rate.

Forward premiums increased across all tenors at 0.58, 1.75, 3.30 and 6.70 for 1, 3, 6 and 12 months respectively.

Selling of Sri Lanka rupee bonds by foreign investors also eased during the week to Sep 04, with barely 500 million rupees worth of sales being made compared to the previous week. We expect the market to settle down at the current range with 181 resistance level. Meanwhile Sri Lanka has called proposals from investment banks to manage a 60 billion Yen 10-year Samurai bond.

Weekly AWPR for the week ending 6th September 2019 decreased by 6 bps to 10.60 per cent compared to the previous week.

Overnight call rates remained at 7.50% and Market liquidity remained a deficit around Lkr 22.62 bln end of the week.

INTERNATIONAL MARKET



The dollar was marginally lower on Friday against a basket of currencies, holding above a one-week low as a mixed report on the U.S. jobs market in August reinforced the view of a slowing expansion and chances of more interest rate cuts from the Federal Reserve. It's unsurprising that Brexit has continued to dominate headlines. The likelihood of a snap election, sooner rather than later, seems to be rising. With UK parliament readying for a showdown tomorrow, any successful attempt to block no-deal will likely result in a call for elections. Unsurprisingly, GBPUSD weakened with these prospects, testing as low as 1.2050.

Beyond Brexit, market moves were rather limited, with one exception. USDCNH made fresh record highs at 7.195 on a Bloomberg headline that US/China were struggling to set a September meeting for trade talks. US S&P futures also traded weaker on the news, breaking below 2900 to trade at 2898. The only bright spot appears to be further political traction in Italy towards a working government, with further developments expected Tuesday.

RBA left rates unchanged as expected. The statement was relatively neutral noting that "It is reasonable to expect that an extended period of low interest rates will be required in Australia to make progress in reducing unemployment and achieve more assured progress towards the inflation target."

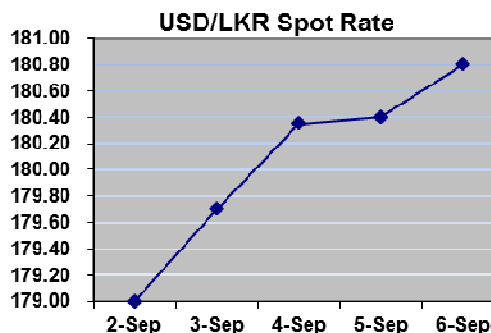
(Source Reuters)

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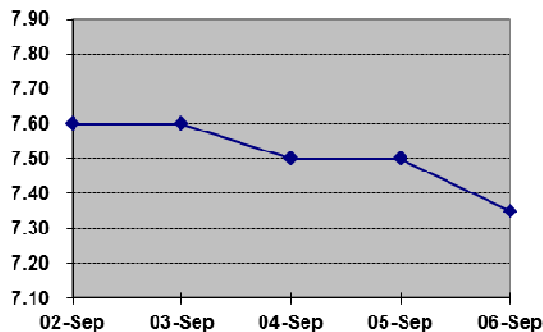
Primary Market Treasury Bills

Week Ending 6th Sep 2019

	W/avg.	Previous	Change	
3 m	*R	7.63%		
6 m	*R	7.70%		
12m		8.22%	+0.11%	*R - Rejected



Interbank Lkr O/N rates %



As at 6th September, 2019

USD LIBOR		LKR AWPL Rates	
1 mth	2.04%	Weekly	10.60%
3 mths	2.13%	Monthly	10.69%
6 mths	2.03%	Semiannual	11.57%
12mths	1.94%		

Foreign Exchange Rates

	Friday Closing New York
EUR/USD	1.1056
USD/JPY	106.90
AUD/USD	0.6846
GBP/USD	1.2281

