

Weekly Treasury Market Report

04th November, 2019

28th Oct – 01st Nov 2019

LOCAL MARKET

The Sri Lankan rupee ended flat against the USD to close trading at 181.20. The dollar demand from importers pushed the currency to 181.60 during the early part of the week, but managed to reverse course after exporter and investor selling intensified towards the latter part of the week. The trading range for the week was 181.00-181.60 with market trading volume in the range of Usd 60-70mln. Forward premiums closed at 0.55, 1.70, 3.50 and 7.00 for 1, 3, 6 and 12 months respectively. T bill and T bond holdings by foreign investors increased to Lkr 112.4bln from Lkr 110.8bln during the week under review.

In other news, Sri Lanka received Usd 164 mln after the sixth review of the Extended Arrangement facility by IMF, under the one year extension programme signed in May 2019. Total reserves stands at Usd 7.7 bln sufficient for 4.5 months imports with 60% of short-term loan repayments.

Overnight call rates closed lower at 7.45% after trading in a range of 7.45%-7.50%. Market liquidity remains in the surplus at Lkr 15.59 bln.

INTERNATIONAL MARKET



The dollar dropped on Friday after data showed a mixed view on the economy, and as optimism that the United States and China will reach a deal to end their trade war reduced safe-haven demand for the greenback.

The dollar initially gained after U.S. jobs growth slowed less than expected in October, while wages gained and hiring in the prior two months was stronger than previously estimated. The U.S. currency was unable to hold onto the gains, however, and was further dented after the Institute for Supply Management (ISM) said the manufacturing sector contracted for the third consecutive month in October.

The dollar index against a basket of six major currencies fell to 97.24, down 0.12% on the day. It earlier rose to 97.45 on the jobs data. The dollar has weakened since the Federal Reserve on Wednesday cut interest rates for the third time this year, and indicated that further reductions may not be forthcoming.

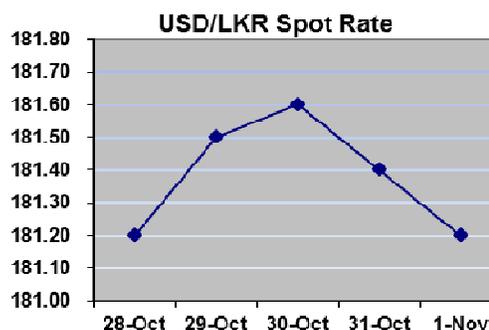
Concerns about a slowing American economy is weighing on the greenback, however, with the U.S. central bank expected to resume rate cuts if the economic data worsens. Safe-haven flows into the U.S. currency have also weakened on optimism that the United States and China are close to reaching a deal to end their trade war, which has been blamed for slowing global growth.

U.S. Trade Representative Robert Lighthizer and Treasury Secretary Steven Mnuchin made progress on a variety of issues during a telephone call on Friday with China's Vice Premier Liu He about an interim trade agreement, USTR said in a statement on Friday. Euro, Sterling, Aud closed higher at 1.1165, 1.2934 and 0.6913 respectively
(Source – Reuters)

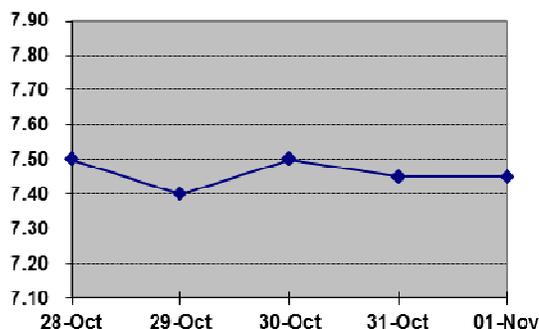
Primary Market Treasury Bills

Week Ending 30th Oct 2019

	W/avg.	Previous	Change	
3 m	7.49%	7.50%	-0.01%	
6 m	7.65%	7.66%	-0.01%	
12m	8.35%	8.34%	+0.01%	*R - Rejected



Interbank Lkr O/N rates %



As at 01st November, 2019

USD LIBOR		LKR AWPL Rates	
1 mth	1.77%	Weekly	10.44%
3 mths	1.89%	Monthly	10.42%
6 mths	1.90%	Semiannual	11.01%
12mths	1.92%		

Foreign Exchange Rates

	Friday Closing New York
EUR/USD	1.1165
USD/JPY	108.17
AUD/USD	0.6913
GBP/USD	1.2934

For any queries, please contact NDB Treasury on 2446994
 Sunil Karunaratne -sunil.karunaratne@ndbbank.com
 Eranga Weerasekera -eranga.weerasekera@ndbbank.com
 Vinoth Fernando -vinoth.fernando@ndbbank.com

