

Weekly Treasury Market Report

13th January, 2020

06th Jan – 10th Jan 2020

LOCAL MARKET

The Sri Lankan Rupee was stable against the US dollar at the beginning of the year after closing with an approx 1% appreciation for 2019. The rupee ended the year 2019 at 181.50 after opening at 183.00, registering a 0.81% appreciation in Lkr against Usd.

The foreign exchange market was active with increased importer and exporter/foreign investor activity thus confining the Usd/Lkr rate in a range of 181.20-181.70 with higher trading volumes in the market. Rupee premiums were marginally high compared to previous week and closed at 0.55, 1.60, 3.20 and 6.50 for 1, 3, 6 and 12 months respectively.

Yields on G Sec dropped by 20-40 basis points compared to end December 2019 on increased foreign investor interest. Sri Lanka in planning to re issue Usd 100.0 mln Sri Lanka Development bonds which is maturing this week. Total of Usd 90.0 mln is expected to mature this week

Overnight call rates closed lower at 7.45% after trading in a range of 7.40%-7.50%. Market liquidity was improved with the shortfall reduced to Lkr 6.2 bn from Lkr 16.69 bln a week ago.

INTERNATIONAL MARKET



The imminent signing of a preliminary Sino-U.S. trade deal helped Asian currencies rally on Monday, but sterling fell on fresh hints of a Bank of England rate cut.

The U.S.-China Phase 1 agreement, due to be signed at the White House on Wednesday, marks the first step toward ending a damaging 18-month trade dispute between the world's two largest economies. The trade-exposed Chinese yuan and Australian dollar each rose 0.3% to lead broad gains.

The yuan - the currency most attuned to Sino-U.S. trade developments - crossed the 6.9 per dollar mark to hit a fresh five-month high of 6.8959.

The Aussie hit a one-week high of \$0.6919. The New Zealand dollar also climbed 0.2% to its strongest since Thursday at \$0.6650 and the euro was steady at \$1.1128.

The Japanese yen weakened 0.1% to 109.60 per dollar, close to a seven-month low, and it slid 0.6% to an 8-month low against the trade-sensitive Korean won. A holiday in Japan reduced overall trading volumes.

Elsewhere, the British pound fell 0.3% to \$1.3037 and flirted with a two-week low after dovish comments from Bank of England policymaker Gertjan Vlieghe over the weekend.

Vlieghe told the Financial Times newspaper that he would vote for a cut in interest rates later this month, barring an "imminent and significant" improvement in growth data.

However, Futures pricing pointed to an implied probability of a rate cut at the end of the month of one-in-four as some market analysts perceive as "Hollow threats", designed to try and curb the appreciation in the pound.

(Source – Reuters)

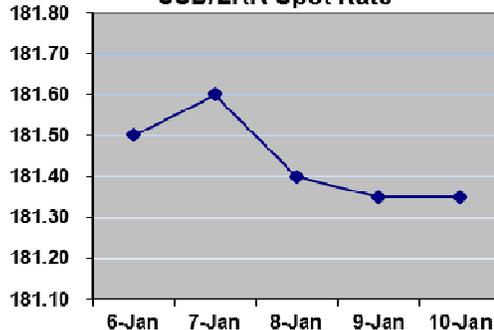
For any queries, please contact NDB Treasury on 2446994
Sunil Karunaratne -sunil.karunaratne@ndbbank.com
Eranga Weerasekera -eranga.weerasekera@ndbbank.com
Vinoth Fernando -vinoth.fernando@ndbbank.com

Primary Market Treasury Bills

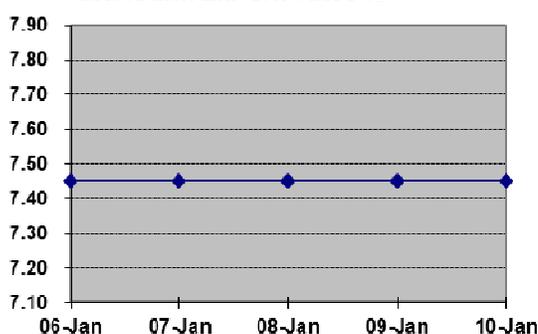
Week Ending 10th Oct 2020

| | W/avg. | Previous | Change | |
|-----|--------|----------|---------|---------------|
| 3 m | 7.50% | R | - | |
| 6 m | 8.13% | 8.02% | + 0.11% | |
| 12m | 8.52% | 8.45% | +0.07% | *R - Rejected |

USD/LKR Spot Rate



Interbank Lkr O/N rates %



As at 10th January, 2020

| USD LIBOR | | LKR AWPL Rates | |
|-----------|-------|----------------|--------|
| 1 mth | 1.67% | Weekly | 9.76% |
| 3 mths | 1.84% | Monthly | 10.00% |
| 6 mths | 1.87% | Semiannual | 10.47% |
| 12mths | 1.97% | | |

Foreign Exchange Rates

| | Friday Closing |
|---------|----------------|
| | New York |
| EUR/USD | 1.1120 |
| USD/JPY | 109.45 |
| AUD/USD | 0.6901 |
| GBP/USD | 1.3059 |

