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Weekly Treasury Market Report

02nd March, 2020

24th Feb – 28th Feb 2020

LOCAL MARKET

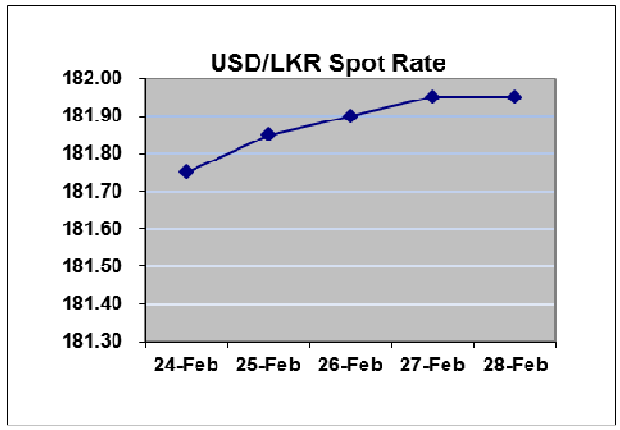
The Rupee closed weaker against the US dollar on Friday at 181.95, after trading in a narrow range of 181.75-182.05 during last week. The dollar was well bid below 181.70 levels as foreign investors continued to exist from the G Sec market adding pressure on the exchange rate in the short-term. Investors are moving out of emerging markets on the back of uncertainty over the spread of Covid 19 virus and impact on the global economy. Foreign investors continued to exist from the G Sec market for the 5th consecutive week pushing the total G Sec held by foreign investors down to Lkr 91billion from Lkr 102.6 bln. Rupee premiums remained unchanged last week as it closing at 0.55, 1.70, 3.20 and 6.30 for 1, 3, 6 and 12 months respectively. The year-on-year NCPI headline inflation increased to 7.6 per cent in January 2020 from 6.2 per cent in December 2019, while, CCPI headline inflation increased to 6.2 per cent in February 2020 from 5.7 per cent in January 2020. Overnight call rates closed at 6.95% unchanged, after trading in a range of 6.95%-7.00%. The market liquidity showed signs improvement as it reported a surplus of Lkr 47.89 bln from a deficit of Lkr. 0.021 bln a week ago.

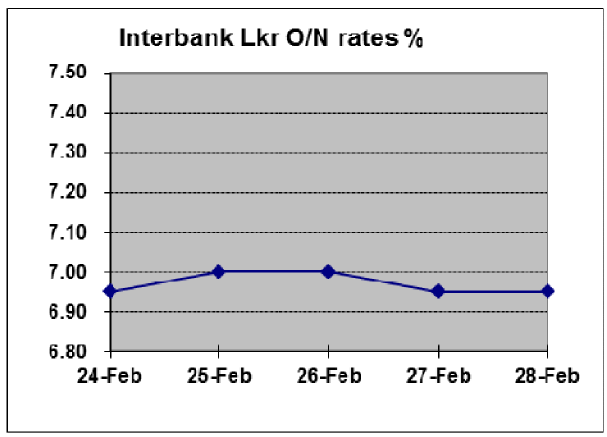
Primary Market Treasury Bills

Week Ending 28th Feb 2020

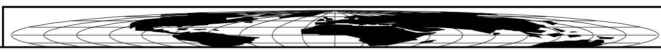
	W/avg.	Previous	Change
3 m	7.42%	7.44%	- 0.02%
6 m	8.06%	8.06%	-
12m	8.58%	8.60%	- 0.02%

*R - Rejected





INTERNATIONAL MARKET



The yen and the euro were on the front foot against the dollar on Monday as traders raised their bets of an interest rate cut by the U.S. Federal Reserve this month to shield the economy from the rapid spread of the coronavirus. As U.S. shares were routed in recent days, Federal Reserve Chair Jerome Powell said on Friday the central bank will "act as appropriate" to support the economy in the face of risks posed by the coronavirus epidemic. Investors took his comments as a hint that the Fed will cut interest rates by at least 0.25 percentage point at its next scheduled meeting on March 17-18. There is even increasing chatter of an unscheduled move, with a U.S. bank lobby economist saying a coordinated global interest rate cut by the top central banks could happen as early as on Wednesday. The expectations around the Fed underscored the speed and scale of the virus' spread from China through to dozens of countries and the potentially crippling blow to the global economy. Investors expect the dollar's yield advantage - a key support for the U.S. currency - to shrink as the European Central Bank and the Bank of Japan are seen as having limited room for further cuts given their rates are already in negative territory.
All the same, highlighting the risks posed by the virus, BOJ Governor Haruhiko Kuroda issued a statement to say the central bank would take necessary steps to stabilise financial markets, helping to curtail the yen's earlier gains. The yen last stood little changed at 108.15 to the dollar, having risen to as high as 107.00 in early Monday trade. The Japanese currency had risen 3.2% last week, the biggest gain since July 2016. Japan's current account surplus and the yen's vast liquidity make the yen behave like safe haven asset. The euro rose to one-month highs of $1.1074 and last stood at $1.1050, up 0.3% so far in Asia, **(Source – Thomson Reuters)**

As at 28th February, 2020

USD LIBOR		LKR AWPL Rates	
1 mth	1.51%	Weekly	9.47%
3 mths	1.46%	Monthly	9.51%
6 mths	1.40%	Semiannual	10.07%
12mths	1.38%		

Foreign Exchange Rates

	Friday Closing New York
EUR/USD	1.1025
USD/JPY	108.07
AUD/USD	0.6509
GBP/USD	1.2830

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