

Weekly Treasury Market Report

06th July, 2020

29th Jun - 03rd July 2020

LOCAL MARKET

The Sri Lankan Rupee closed higher against the dollar on Friday as demand for the greenback continued to ease for the second consecutive week. The extension of restrictions imposed on non-essential imports by further 180 days coupled with weaker demand from importers and investors helped the rupee to strengthen to 185.80 from 186.30. The trading range for the week under review was 185.70-186.40. Central Bank was seen checking rates in the open market at current levels indicating rate may hold at 186.0 levels in the short term.

Usd/Lkr premiums plummeted to near zero after T-bill yields traded lower at 5.45% on the 1 year maturity, after Central Bank injected Lkr liquidity through a SRR cut of 2 pct two weeks ago. Rupee premiums closed at 0.05, 0.10, 0.20 and 1.0 for 1, 3, 6 and 12 months respectively.

Treasury bill yield dropped approx. 1.25% across all maturities during the fortnight, on anticipation of a rate cut by the CBSL. (Refer chart)

Overnight call rates closed at 5.65% down from 5.85% two weeks ago. The trading range was 5.55%-5.75%. The market liquidity stood at Lkr 165.0 bln.

INTERNATIONAL MARKET



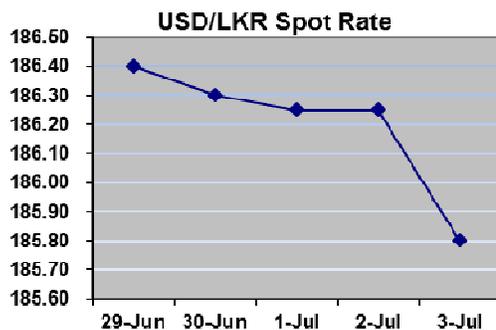
EUR/USD suffered a setback after the dollar strengthened in the wake of generally upbeat U.S. jobs data, but traders will probably see this retreat as a buying opportunity on the way to new highs. The U.S. payrolls and jobless claims reports briefly boosted U.S. Treasury yields and pressured fed funds futures prices lower, which pushed back negative rate expectations to August 2021. EUR/USD probed below the 10-day moving average as it deepened its losses, though it retained a strong stable of support to foster continued consolidation as longs bide their time for a catalyst to break higher. Euro zone inflation expectations continued their trend higher. The latest CFTC stats showed net-long EUR positions increased to 2-year highs even as EUR/USD consolidated the March-June rally. Even with Friday's losses, EUR/USD remained range bound as it consolidated previous gains, with a break higher still likely, bringing with it possible tests near 1.1500 and 1.1630. Aud rose to 0.6956 on Monday following a 1.2% gain last week. Aud is under focus ahead of Reserve Bank of Australia (RBA) policy meeting on Tuesday. Most traders expect the rate to remain at 0.25% amid signs Australia's economic down turn will not be as dire as first feared. Recent gains in prices of Copper and other commodities that Australia exports, combined with more positive tone for the RBA are likely to keep AUD underpinned. (Source - Refinitive Thomson Reuters)

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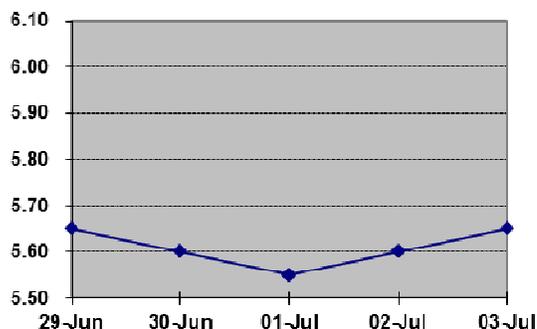
Primary Market Treasury Bills

Week Ending 03rd July 2020

	W/avg.	Previous	Change	
3 m	5.08%	5.50%	- 0.42%	
6 m	5.22%	5.53%	- 0.31%	
12m	5.45%	5.66%	- 0.21%	*R - Rejected



Interbank Lkr O/N rates %



As at 03rd July, 2020

USD LIBOR		LKR AWPL Rates	
1 mth	0.16%	Weekly	8.48%
3 mths	0.27%	Monthly	8.78%
6 mths	0.36%	Semiannual	9.33%
12mths	0.50%		

Foreign Exchange Rates

	Friday Closing New York
EUR/USD	1.1248
USD/JPY	107.50
AUD/USD	0.6937
GBP/USD	1.2483

