

Weekly Treasury Market Report

02nd November, 2020

26th Oct – 30th Oct 2020

LOCAL MARKET

Sri Lankan rupee continued to remain stable against the USD as it traded in a narrow range of 184.25-184.50, before closing at 184.40. The foreign exchange market was relatively subdued as demand for foreign currency from importers continued to remain low on restrictions imposed by the government. Further, inflows from exporters and foreign remittances helped the local currency to remain stable as Central Bank was seen buying dollars in the interbank market lending support below 184.25 throughout the week. Usd/Lkr premiums closed firm at 0.18, 0.25, 0.50 and 0.80 for 1, 3, 6 and 12 months respectively. The total outstanding market liquidity was a surplus of Rs.140.11 bln by end of this week, compared to a surplus of Rs.150.609 bln by the end of last week. Weekly AWPR for the week ending 29th October 2020 increased by 13 bps to 5.85% compared to the previous week.

In other news, Sri Lanka's gross domestic product is forecasted to shrink 1.7 percent in 2020, and recover to a 5.0 percent growth in 2021, according to central bank report today. The central bank is also projecting the trade deficit to fall to 6.6% of GDP from 9.5% as the economy slows and the government foreign borrowings turn negative, shrinking the savings investment gap, which drives the current account deficit.

INTERNATIONAL MARKET



The U.S. dollar steadied on Monday as investors prepared for U.S. presidential elections on Tuesday, while a surge in global coronavirus cases continued to weigh on sentiment. The greenback held onto gains after posting its largest weekly percentage rise since late September in the previous trading session.

The pound inched lower on coronavirus worries, after British Prime Minister Boris Johnson announced over the weekend a one-month lockdown across England. Investors are sticking to the U.S. currency, which is often considered to be safe, as Tuesday's presidential election keeps financial markets on edge. England's lockdown aimed to last until Dec. 2 could be extended as Britain struggles to contain a second wave of COVID-19, a senior cabinet member said on Sunday. The pound was last down 0.39% against USD to \$1.2904, with traders also eyeing updates on Brexit trade talks. EU and British Brexit negotiators will continue talks in Brussels on Monday until around mid-week, people on both sides told Reuters.

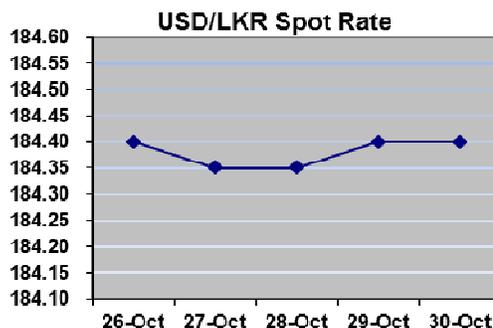
The euro steadied in Asian trade but was close to hitting long-term lows against the greenback and Japanese yen. It last fetched \$1.1638, extending losses after a near one-month low of \$1.1640 against the U.S. dollar seen last week. Jpy remained strong at 104.75 as investors continued to hold Yen on market uncertainties. Aud traded at 0.7025 down from 0.7100 on Friday. (Source – Refinitive Thomson Reuters)

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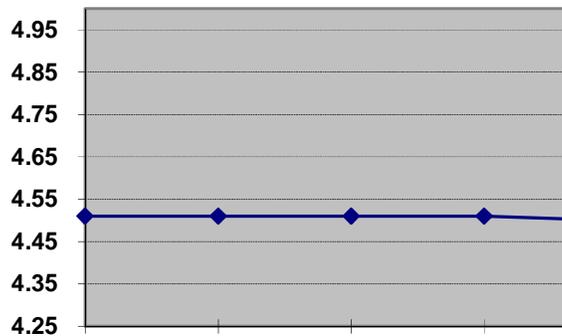
Primary Market Treasury Bills

Week Ending 30th Oct 2020

	W/avg.	Previous	Change	
3 m	4.57%	-	-	
6 m	4.69%	3.84%	+ 0.85%	
12m	4.96%	4.13%	+ 0.83%	*R - Rejected



Interbank Lkr O/N rates %



As at 30th Oct, 2020

USD LIBOR		LKR AWPL Rates	
1 mth	0.14%	Weekly	5.85%
3 mths	0.21%	Monthly	6.10%
6 mths	0.24%	Semiannual	7.56%
12mths	0.33%		

Foreign Exchange Rates

	Friday Closing New York
EUR/USD	1.1647
USD/JPY	104.64
AUD/USD	0.7026
GBP/USD	1.2941

