

Weekly Treasury Market Report

05th March, 2018

26th Feb – 02nd Mar 2018

LOCAL MARKET

The rupee strengthened against the US dollar briefly during last week's trading to 154.80 from 155.20, before closing at 155.20, virtually unchanged from the previous week. The market speculate that an one off foreign capital inflow boosted the Lkr during early part of the week and possibly was mopped up by the CBSL through a state bank.

Expect the currency to trade in a wide range of 155.00-155.50 this week with an upward bias as importer demand is building up ahead of the season. Usd/Lkr premiums closed marginally higher across the board for tenors 1, 3, 6 and 12 months at 0.90, 2.50, 4.90, and 9.80 respectively.

In other news, Sri Lanka 12 month inflation fell to 4.5ct in Feb from 5.8pct in January 2018 registering a dip for the second month thus increasing chances of a rate cut by CBSL.

Overnight call rates remained unchanged at 8.05%- 8.15%. CBSL rejected 3 and 6 months bids last week and accepted only the 12 months maturities. (See table)

INTERNATIONAL MARKET



The euro clawed back earlier losses on Monday but remained prone to volatility as early counts in Italian elections pointed to stronger-than-expected results for euro-sceptic parties, with no major party blocs winning an outright majority.

The common currency found some support as Germany's Social Democrats (SPD) decisively backed another coalition with Chancellor Angela Merkel's conservatives.

The euro traded at \$1.2333, slightly above its late U.S. levels, off its seven-week low of \$1.21545, which it touched on Thursday. Exit polls and early counts showed Italy's 5-Star Movement is likely to be the largest single party by a wide margin, a projection a prominent deputy from the party called a "triumph".

The euro started the week on a solid footing as two-thirds of SPD members supported the coalition, clearing the way for a new government in Europe's largest economy after months of political uncertainty. The dollar was softer against the Yen at 105.43 yen near Friday's 16-month low of 105.24. Bank of Japan Governor Haruhiko Kuroda said the BOJ would consider an exit from its ultra-easy monetary policy if it met its inflation target in the next fiscal year from April 2019. Traders will be looking at confirmation hearing in the Parliament by two nominees for BOJ Deputy Governors, Masazumi Wakatabe and Masayoshi Amamiya

(Source – Reuters)

For any queries, please contact NDB Treasury on 2446994

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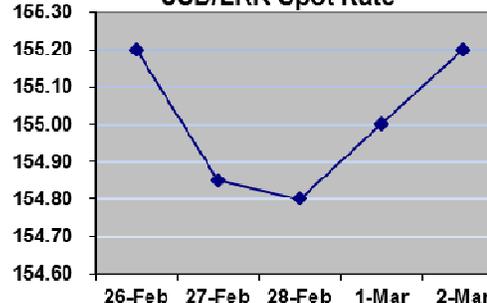
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Primary Market Treasury Bills

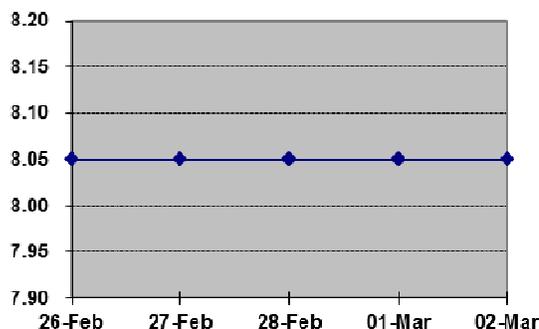
Week Ending 02nd Mar, 2018

	W/avg.	Previous	Change
3 m	-	8.24%	-
6 m	-	8.52%	-
12m	9.59%	9.45%	+0.14%

USD/LKR Spot Rate



Interbank Lkr O/N rates %



As at 02nd Mar, 2018

USD LIBOR

1 mth	1.69%
3 mths	2.02%
6 mths	2.23%
12mths	2.50%

LKR AWPL Rates

Weekly	11.43%
Monthly	11.27%
Semi Annual	11.33%

Foreign Exchange Rates

	Friday Closing New York
EUR/USD	1.2317
USD/JPY	105.75
AUD/USD	0.7760
GBP/USD	1.3802

