**Weekly Treasury Market Report**

19th February, 2018

**LOCAL MARKET**

The Sri Lankan rupee plunged more than 1.0% during trading last week, touching an all-time high of 155.95 against Usd on Monday before closing at 155.30. The market was extremely volatile as importers and investors bought the Usd on the back of political uncertainty after the recent local government elections. Analysts expect a volatile period ahead across all markets as political uncertainty may dampen the investor confidence in the G Sec and equity markets and delays in proposed economic reforms in the medium term.

Expect the currency to trade in a wide range of 155.20-156.50 this week under extreme volatile conditions.

Usd/Lkr premiums unchanged across the board for tenors 1, 3, 6 and 12 months at 0.80, 2.40, 4.80, and 9.80 respectively.

Overnight call rates remained unchanged at 8.05%- 8.15%, while Tbill yields jumped more than 25 basis points across all maturities. (See table)

**INTERNATIONAL MARKET**

The U.S. dollar rose against other major currencies on Friday, as investors pondered over a batch of positive economic reports. The U.S. Commerce Department said on Friday that privately-owned housing starts in January were at a seasonally adjusted annual rate of 1.326 million, 9.7 percent above the revised December estimate of 1.209 million. The latest reading marked the highest level since October 2016 and beat market expectations. The University of Michigan's mid-month report on U.S. consumer sentiment showed that the index rose to 99.9 in February, 4.4 percent higher than the previous month and registered as its second-highest level since 2004.

Meanwhile, U.S. import prices increased 1.0 percent in January, above market estimates of 0.6 percent, while prices for U.S. exports rose 0.8 percent in January following a 0.1-percent increase the previous month, the Labor Department said Friday. The dollar index, which measures the greenback against six major peers, increased 0.59 percent at 89.19 in late trading. In late New York trading, the euro fell to 1.2414 dollars from 1.2507 dollars in the previous session, and the British pound dipped to 1.4020 dollars from 1.4098 U.S. dollars in the previous session. The Australian dollar lost to 0.7905 dollar from 0.7938 dollar. The U.S. dollar bought 106.31 Japanese yen, higher than 106.26 yen of the previous session. --(Source – Reuters)

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