

# Weekly Treasury Market Report

02<sup>nd</sup> January, 2018

26<sup>th</sup> Dec – 29<sup>th</sup> Dec 2017

## LOCAL MARKET

The US currency closed trading in 2017 at 153.50 registering an annual depreciation of 2.33% after opening the year at 150.00.

Steady inflows of funds in to G-Sec and equity markets from foreign investors, better than expected trade deficits with increased export proceeds and inflows from foreign remittances helped the currency to remain relatively stable especially during 2<sup>nd</sup> half of 2017.

Central Bank's strategy of build its reserve position through market purchases up to Usd 1.0 bln, from the beginning of 2017 was met with net purchases of Usd 1.464 bln as at November, and expected to exceed Usd 1.60 bln by end of the year.

CBSL has effectively managed to reduce its holding of T-bills and bonds, thus easing liquidity shortfall in the market bring in stability in the Lkr interest rates. Also it managed to overcome the balance of payments payment crisis and effectively building foreign currency reserves through sterilization.

CBSL is expecting inflation to reduce to its mid signal digit in 2018, with near term monetary policy to be data driven.

Sri Lankan Consumer inflation rose to 7.8 pct in October from a year ago, the highest in eight months, contributed by food commodities 3.7 pct while nonfood items was 4.05pct. Expect the interest rates to remain stable in 2018 with a mild downward bias especially in the first half of 2018. Usd/Lkr rates also to remain stable with a forecast of 2.0% - 3.0% depreciation provided the global commodity prices remain stable in 2018.

## INTERNATIONAL MARKET

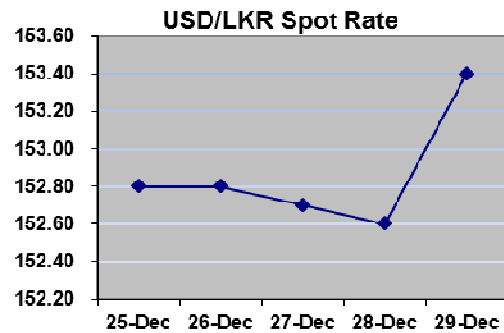
The euro climbed to a four-month high against a broadly weaker dollar on Tuesday, the first trading day of 2018, on optimism over a brightening economic picture in the euro zone. It finished 2017 with its best year against the dollar since 2003 as European economies strengthened and expectations the European Central bank will wind down its monetary stimulus grew, boosting demand for the single currency.

The euro started the year by adding to those gains, climbing 0.3 percent to \$1.2046 at 0839 GMT, within sights of the \$1.2092 it hit in September, the highest since early 2015. Commodity currencies traded higher after a rally in metal and oil prices and the Australian dollar gained another 0.4 percent to reach \$0.7836, its highest level since October. (Source - Reuters)

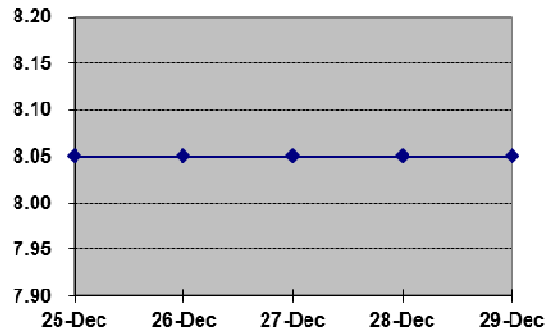
## Primary Market Treasury Bills

Week Ending 29<sup>th</sup> Dec, 2017

	W/avg.	Previous	Change
3 m	-	7.69%	-
6 m	8.30%	8.40%	- 0.10%
12m	8.90%	8.92 %	- 0.02%



## Interbank Lkr O/N rates %



As at 29<sup>th</sup> Dec, 2017

### USD LIBOR

1 mth	1.56%
3 mths	1.39%
6 mths	1.83%
12mths	2.10%

### LKR AWPL Rates

Weekly	11.55%
Monthly	11.33%
Semi Annual	11.50%

### Foreign Exchange Rates

	Friday Closing New York
EUR/USD	1.2012
USD/JPY	112.63
AUD/USD	0.7805
GBP/USD	1.3503

