



Inflation drops to 3.9% in June

- Decrease from 4% in May
- Decline driven by non-food category
- Annual core inflation dropped to 13-month low of 4.2%

2020 from 4% in May 2020, the Census and Statistics Department said yesterday.

This was solely driven by the statistical effect of the high base prevailed in June 2019. Food inflation (Y-o-Y) increased to 10% in June 2020 from 9.9% in May 2020. Meanwhile, Non-food inflation (Y-o-Y) declined to 1.4% in June 2020 from 1.6% in May 2020.

The change in the CCPI measured

ured on an annual average basis remained unchanged at 4.7% in June 2020.

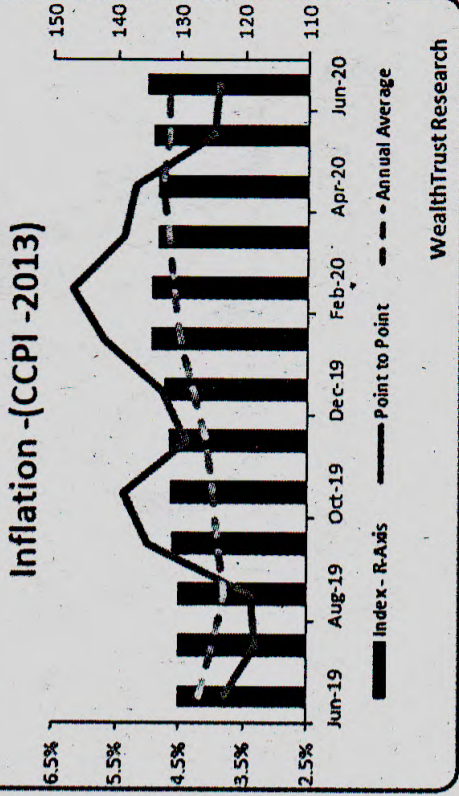
Monthly change of CCPI recorded increases observed in the items of the Food category. Within the Food category, prices of vegetables and fish recorded increases in June 2020.

However, it is noteworthy that price of coconut reported a sig-

nificant decline during the month. Prices of items in the Non-Food category recorded marginal increases in June 2020.

The core inflation (Y-o-Y), which reflects the underlying inflation in the economy, increased to 3.1% in June 2020 from 2.9% in May 2020.

The annual average core inflation declined further to its thirteen months low of 4.2% in June 2020 from 4.4% in May 2020.



■ Bond market activity moderates ahead of T-Bill auctions - See page 09

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By WEALTH TRUST SECURITIES

THE final trading day for the month of June saw activity in the secondary bond market moderate considerably yesterday, ahead of today's weekly Treasury bill auctions. Limited trades were witnessed consisting of the maturities of 15.12.22, 15.01.23, 15.09.24 and 01.05.25 at levels of 5.81% to 5.83%, 5.90% to 5.91%, 6.45% to 6.48% and 6.60% to 6.65% respectively. In secondary bills, October 2020 maturities changed hands within the range of 5.10% to 5.20%.

This was ahead of the weekly Treasury bill auctions due

today, where a total amount of Rs. 29 billion will be on offer consisting of Rs. 2 billion on the 91 day maturity, Rs. 9 billion on the 182 day maturity and further Rs. 18 billion on the 364 day maturity. At last week's auction, the weighted average yields decreased across the board by 80, 77 and 96 basis points respectively to 5.50%, 5.53% and 5.66%.

Inflation (CCPI) for the month of June decreased for

a fourth consecutive month to 3.9% on the basis of its point to point against its previous month 4.0% while its annual average remained steady at 4.7%.

The total secondary market Treasury bond/bill transacted volume for 29 June was Rs. 9.67 billion.

In money markets, the weighted average rates on overnight call money and repo remained steady at 5.52%

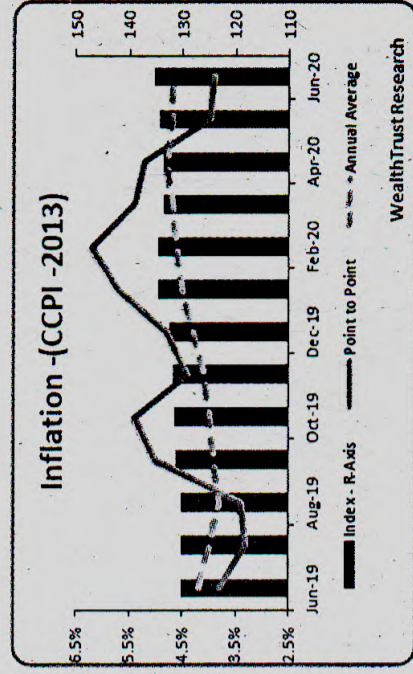
and 5.55% respectively as the DOD (Domestic Operations Department) of Central Bank continued to refrain from conducting any auction. The overnight net liquidity surplus in the system stood at Rs. 177.75 billion yesterday.

Rupee losses marginally

In Forex markets, the USD/LKR on spot contracts were seen losing marginally yesterday to close the day at Rs.

Treasury Bills	4.80 / 5.10
91 Day Bills	4.90 / 5.15
182 Day Bills	5.10 / 5.30
364 Day Bills	5.10 / 5.30
Treasury Bonds	5.10 / 5.30
01/08/21	5.80 / 5.88
15/12/22	5.90 / 5.97
15/01/23	6.47 / 6.52
15/09/24	6.55 / 6.65
01/05/25	6.80 / 6.95
01/02/26	6.95 / 7.10
15/10/27	6.90 / 7.15
01/07/28	6.90 / 7.20
01/05/29	6.85 / 7.25
15/05/30	6.80 / 7.30
15/01/33	6.80 / 7.35
15/09/34	6.75 / 7.40
15/03/35	6.70 / 7.50
15/08/39	6.70 / 7.50

186.20/30 against its previous day's closing days of Rs.



186.15/25 on the back of buying interest by Banks. (References: Central Bank of Sri Lanka, Bloomberg E-Bond trading platform, Money broking companies)

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