

TREASURY COMMENTARY – 25 NOVEMBER 2020

LOCAL MARKET

MONEY

Overnight call-money traded in a range of 4.53%-4.55% on Tuesday (24.11.2020). Net market liquidity with the Central Bank was a Surplus of Rs 187.65 Bn on Tuesday from a Surplus of Rs.185.80 Bn on Monday (19.11.2020).

USD/LKR MARKET VOLUMES

VOLUME (USD Mn)
AS AT 24.11.2020

Cash	2.50
Tom	3.00
Spot	5.00
Forwards	28.54

MARKET LEVELS

Cash	185.40/186.60
Spot	185.42/186.62

INTERNATIONAL MARKET

FOREX

The dollar nursed losses in Asian trading on Wednesday as progress in developing a novel coronavirus vaccine and expectations for a fiscal boost from a new U.S. government triggered a shift of funds from the greenback to riskier assets. The U.S. currency teetered near a two-month low against the Australian dollar and a two-year low against the New Zealand dollar, both considered barometers of risk sentiment due to their close ties with the global commodities trade. Bitcoin, a cryptocurrency known for its volatile price swings, also traded near an all-time high, in a further sign that investors are growing more comfortable taking on riskier positions. The U.S. dollar's declines are likely to continue because a vaccine and the expected choice of former Federal Reserve Chair Janet Yellen as U.S. President-elect Joe Biden's next Treasury secretary relieve two big uncertainties for investors. The dollar stood at \$1.1901 against the euro on Wednesday in Asia, close to a two-week low. The British pound bought \$1.3363, close to the highest in more than two months. Against the yen, the dollar held steady at 104.48. Research suggesting that a COVID-19 vaccine could be available before year end has sent U.S. stocks surging to record highs and reduced the appeal of holding the dollar as a safe-harbor currency. Risk appetite has also improved after the outgoing U.S. President Donald Trump's administration began cooperating with the Biden transition, and after reports that Yellen, an advocate of more fiscal spending, will take the top job at Treasury. The dollar index, pitting the dollar against a basket of six major currencies was at 92.129 after falling 0.4% on Tuesday. The Antipodean currencies were already on the front foot as investors unwound bets for additional monetary easing in both countries. The New Zealand dollar, which has rallied 5.6% so far this month, is trading just shy of its strongest since June 2018. Bitcoin, the most popular cryptocurrency, edged up to \$19,189, approaching its record of \$19,666 from December 2017.

COMMODITIES

Gold prices edged up on Wednesday helped by a weaker dollar, though a robust appetite for riskier assets kept the safe-haven metal near a more than four-month low hit in the previous session. U.S. oil edged lower on Wednesday, after an industry report showed crude stockpiles in the United States rose against expectations, tempering a rally driven by news that another vaccine against COVID-19 had proved effective in trials.

ECONOMIC INDICATORS

T/BILL RATES % (W. Av. Last Auction)

3 Months	4.61
6 Months	4.73
12 Months	4.98

T/BOND RATES % (W. Av. Market rates)

2 Year	5.85
3Year	6.20
4 Year	6.50
5 Year	6.65
6 Year	6.90
7 Year	7.25
8 Year	7.40

LIBOR

	USD	EUR	JPY	GBP
1 Month	0.14	(0.58)	(0.10)	0.04
3 Months	0.23	(0.55)	(0.10)	0.04
6 Months	0.25	(0.52)	(0.06)	0.06
12 Months	0.34	(0.47)	0.05	0.13

AWPLR %

Week ending 20/11	5.95
Week ago	6.04
Year ago	10.20

AWDR %

Oct 2020	6.23
Sept 2020	6.44
Year ago	8.27

INFLATION (%)

	August 2020	September 2020	October 2020	Year ago
NCPI (YoY)	6.2	6.4	5.5	5.0
CCPI(YoY)	4.1	4.0	4.0	5.4
(12MW.Av)	4.8	4.7	4.6	4.0

TREASURY DIVISION

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