

TREASURY COMMENTARY – 27 NOVEMBER 2020

LOCAL MARKET

MONEY

Overnight call-money traded in a range of 4.53%-4.55% on Thursday (26.11.2020). Net market liquidity with the Central Bank was a Surplus of Rs 185.04 Bn on Thursday from a Surplus of Rs.185.36 Bn on Wednesday (25.11.2020).

USD/LKR MARKET VOLUMES

VOLUME (USD Mn)
AS AT 26.11.2020

Cash	-
Tom	0.25
Spot	13.00
Forwards	41.51

MARKET LEVELS

Cash	184.40/185.70
Spot	184.42/185.72

INTERNATIONAL MARKET

FOREX

The dollar held steady in thin trade in Asian trading on Friday but was on track for weekly losses against a basket of major currencies as it remained under pressure on improving risk appetite. U.S. markets were closed for the Thanksgiving holiday on Thursday.

The U.S. dollar index was steady at 92.03 against a basket of major currencies, trading water around a near three-month low of 91.84 it hit overnight. The dollar has been under pressure this week, as riskier currencies benefited from increased optimism over a string of COVID-19 vaccines news reports and hopes for a more stable period in U.S. politics. While the greenback will remain under pressure in near term due to prolonged "risk-on" sentiment led by vaccine hopes. Dovish messaging from the European Central Bank's chief economist and the minutes from last month's meeting provided further confirmation of widely expected stimulus at its December gathering. The central bank's minutes from its October meeting showed policymakers agreed they could not afford to seem complacent during the second wave of the coronavirus, opting instead to lay the groundwork for more stimulus. The ECB's chief economist Philip Lane had also warned that tolerating "a longer phase of even lower inflation" would hurt consumption and investment as well as cementing expectations for low price growth in the future. The euro was little changed against the greenback at \$1.1905, away from a more than two months-high of \$1.1941 it marked on Thursday. Sterling fetched \$1.3349, trading near a three-month high of \$1.3399 it touched on Thursday, as market participants look for progress on Brexit talks. The European Union chief negotiator Michel Barnier will talk on Friday with some of the bloc's ministers responsible for fisheries to discuss the state of play in the trade discussions with Britain, EU official said. The Australian dollar firmed at 0.73605 having climbed to a near three-month high of 0.7374 on Thursday. Meanwhile, the Kiwi changed hands at 0.7006 against the greenback. Bitcoin, the most popular cryptocurrency, last fetched \$17,271.86 in a volatile trade. Overnight, the cryptocurrency plunged as much as 13% to its lowest since Nov. 16, having rallied close to its all-time high of \$19,666.

COMMODITIES

Gold prices steadied on Friday as investors took stock of doubts raised over the efficacy of an inexpensive coronavirus vaccine, but the precious metal was set for a third week of declines. Oil prices were mixed on Friday in quiet trade due to the U.S. Thanksgiving holiday, with West Texas Intermediate (WTI) dropping more than 1% amid concerns about oversupply and doubts about a vaccine to end the coronavirus pandemic.

ECONOMIC INDICATORS

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

3 Months	4.64
6 Months	4.76
12 Months	5.00

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

2 Year	5.80
3Year	6.05
4 Year	6.50
5 Year	6.60
6 Year	6.75
7 Year	7.15
8 Year	7.20

LIBOR

	USD	EUR	JPY	GBP
1 Month	0.15	(0.58)	(0.10)	0.04
3 Months	0.22	(0.55)	(0.12)	0.04
6 Months	0.26	(0.52)	(0.06)	0.06
12 Months	0.33	(0.48)	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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