

## TREASURY COMMENTARY – 04 DECEMBER 2020

### LOCAL MARKET

#### **MONEY**

Overnight call-money traded in a range of 4.53%-4.55% on Thursday (03.12.2020). Net market liquidity with the Central Bank was a Surplus of Rs 233.61 Bn on Thursday from a Surplus of Rs.237.04 Bn on Wednesday (02.12.2020).

#### **USD/LKR MARKET VOLUMES**

VOLUME (USD Mn)  
AS AT 03.12.2020

Cash	4.00
Tom	1.50
Spot	7.57
Forwards	19.45

#### **MARKET LEVELS**

Cash	185.50/186.85
Spot	185.52/186.87

### INTERNATIONAL MARKET

#### **FOREX**

The Euro was headed for its best week in a month in Asian trading on Friday and has blown past major resistance levels as investors piled into bets the U.S. dollar has further to fall as the world begins to emerge from the COVID-19 pandemic. The common currency is up 1.5% for the week so far and last sat comfortably at \$1.2140. Having finally breached \$1.2000 after multiple attempts, momentum funds have surged in to long positions. The next serious chart resistance level is not until \$1.2555. The euro is also set for its best week against the Japanese yen in six months, even though the yen rose a little against a broadly weaker dollar overnight. Sterling touched a one-year high and the yen hit a two-week top.

Investors have turned heavily short dollars in recent months, figuring rates will stay low for a long time in the United States forcing yield-seekers to head elsewhere for better returns. Against a basket of currencies the dollar has shed about 12% from a three-year high of 102.990 in March, to hit a two-and-a-half year low of 90.504 on Thursday. The Australian dollar struck a 28-month high of \$0.7449 overnight and is up nearly 0.8% for the week so far. The New Zealand dollar made a fresh 31-month high overnight and is set for its fifth consecutive weekly gain, a streak which has put it 8.6% above late-September lows. Even worries about painful winter of deaths and lockdowns in the United States has failed to drive too much safe-haven demand for dollars, as investors reckon on more government support - either in the form monetary easing or fiscal spending. A \$908 billion aid plan gained momentum in Congress on Thursday as conservative lawmakers expressed their support and the Federal Reserve meets later in the month amid speculation it could expand its bond-buying programme. Both are viewed as negatives for the dollar since bond buying would keep yields anchored, and spending could support a bullish mood and the buying of riskier currencies. Investors are looking to U.S. jobs figures due later on Friday for the latest signs of the recovery losing momentum, while the fate of the pound is largely in the lap of Brexit trade deal negotiators who remain locked in talks.

#### **COMMODITIES**

Gold prices on Friday edged higher on cautious investor optimism over additional U.S. stimulus, while news that drug maker Pfizer slashed the target for the rollout of its COVID-19 vaccine also helped lift the allure of the safe-haven metal. Oil prices rose on Friday, heading for a fifth week of gains, after major producers agreed to continue to restrain production to cope with coronavirus-hit demand but the compromise fell short of expectations.

## ECONOMIC INDICATORS

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

<b>3 Months</b>	4.65
<b>6 Months</b>	4.76
<b>12 Months</b>	5.00

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

<b>2 Year</b>	5.75
<b>3Year</b>	6.00
<b>4 Year</b>	6.44
<b>5 Year</b>	6.60
<b>6 Year</b>	6.80
<b>7 Year</b>	7.15
<b>8 Year</b>	7.20

### LIBOR

	USD	EUR	JPY	GBP
<b>1 Month</b>	0.15	(0.59)	(0.12)	0.03
<b>3 Months</b>	0.23	(0.55)	(0.11)	0.04
<b>6 Months</b>	0.26	(0.52)	(0.06)	0.06
<b>12 Months</b>	0.34	(0.48)	0.05	0.13

### AWPLR %

<b>Week ending 27/11</b>	5.83
<b>Week ago</b>	5.95
<b>Year ago</b>	10.15

### AWDR %

<b>Nov 2020</b>	6.01
<b>Sept 2020</b>	6.23
<b>Year ago</b>	8.27

### INFLATION (%)

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

### TREASURY DIVISION

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