

TREASURY COMMENTARY – 13 JANUARY 2021

LOCAL MARKET

MONEY

Overnight call-money traded in a range of 4.53%-4.55% on Tuesday (12.01.2021). Net market liquidity with the Central Bank was a Surplus of Rs 232.90 Bn on Tuesday from a Surplus of Rs.237.33 Bn on Monday (11.01.2021).

FIXED INCOME SECURITIES

At the Treasury Bill auction held on 12th January 2021, maturities of 91 days, 182 days and 364 days settled at the weighted averages of 4.70 percent, 4.78 percent and 5.02 percent respectively. Offered amount of Rs.40 billion were fully accepted.

USD/LKR MARKET VOLUMES

VOLUME (USD Mn)
AS AT 12.01.2021

Cash	5.75
Tom	4.25
Spot	2.50
Forwards	27.65

MARKET LEVELS

Cash	191.50/194.50
Spot	191.52/194.52

INTERNATIONAL MARKET

FOREX

The dollar nursed losses in Asian trading on Wednesday as a retreat in U.S. yields sapped momentum from its recent rebound and investors cautiously resumed bets that it can resume sliding. Benchmark 10-year Treasury yields fell nearly 7 basis points from a 10-month high hit on Tuesday and the turnaround snuffed out a three-day streak for the dollar. Against the euro, it posted its sharpest daily fall in more than a month and it dropped more than 1% against the pound, which was also boosted by the Bank of England governor talking down the prospect of negative rates. The Australian and New Zealand dollars rose from one-week lows, lifting the Aussie above 77 cents again to sit at \$0.7680 and the kiwi over 72 cents to trade at \$0.7226.

The dollar fell through 104 Japanese yen to trade at 103.63 yen on Wednesday and the Chinese yuan also held gains to begin the day at a one-week high in offshore trade. The moves press the dollar back toward multi-year lows, although it clung above those levels in Asia as the bounce this week has tempered some traders' confidence in the consensus view that U.S. trade and budget deficits will drive it lower. The euro steadied at \$1.2208 and dollar index was steady at 89.991 on Wednesday after falling 0.5% on Tuesday. Sterling hit a week-high of \$1.3680. The bond-market selloff that has driven U.S. yields sharply higher this year and stalled the dollar's decline was triggered by Democrats winning control of U.S. Congress at elections in Georgia last week. Investors expect to usher in huge sums in government borrowing to fund big-spending stimulus plans and have figured that higher U.S. rates might make dollars more attractive. However, strong demand at a \$38 billion 10-year auction overnight and comments from U.S. Federal Reserve officials reiterating that monetary policy is going to stay supportive seem to have once more turned the blowtorch on the greenback.

COMMODITIES

Gold prices edged up on Wednesday as a recent rally in the U.S. dollar and Treasury yields hit a pause, while rising coronavirus cases worldwide also boosted appeal for the safe-haven metal. Oil prices rose on Wednesday, with U.S. crude gaining for a seventh day, after an industry report showed a further drop in inventories and investors shrugged off worsening developments in the pandemic.

ECONOMIC INDICATORS

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

3 Months	4.70
6 Months	4.78
12 Months	5.02

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

2 Year	5.40
3Year	5.85
4 Year	6.20
5 Year	6.55
6 Year	6.80
7 Year	7.20
8 Year	7.30

LIBOR

	USD	EUR	JPY	GBP
1 Month	0.13	(0.59)	(0.07)	0.03
3 Months	0.23	(0.56)	(0.08)	0.03
6 Months	0.25	(0.54)	(0.06)	0.04
12 Months	0.33	(0.49)	0.04	0.09

AWPLR %

Week ending 08/01	5.75
Week ago	5.81
Year ago	9.76

AWDR %

Dec 2020	5.80
Nov 2020	6.01
Year ago	8.20

INFLATION (%)

	October 2020	November 2020	December 2020	Year ago
NCPI (YoY)	5.5	5.2	-	4.1
CCPI(YoY)	4.0	4.1	4.2	4.8
(12MW.Av)	4.6	4.6	4.6	4.3

TREASURY DIVISION

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