

TREASURY COMMENTARY – 20 JANUARY 2021

LOCAL MARKET

MONEY

Overnight call-money traded in a range of 4.52%-4.55% on Tuesday (19.01.2021). Net market liquidity with the Central Bank was a Surplus of Rs 208.85 Bn on Tuesday from a Surplus of Rs.213.91 Bn on Monday (18.01.2021).

SLDB AUCTION

At the SLDB auction held from 15th Jan to 19th Jan.2021, maturities of 1 Year, 1 Year 3 months, 2 Years and 4 Years were settled at fixed weighted averages of 6.89%, 6.85% 6.92% and 6.05% respectively.

USD/LKR MARKET VOLUMES

VOLUME (USD Mn)
AS AT 19.01.2021

Cash	1.50
Tom	-
Spot	7.50
Forwards	42.75

MARKET LEVELS

Cash	195.00/199.50
Spot	195.02/199.52

INTERNATIONAL MARKET

FOREX

The U.S. dollar nursed losses in Asian trading on Wednesday and the euro hung on to gains as investors' mood brightened in the wake of a better-than-expected sentiment survey in Germany and big spending talk from U.S. Treasury Secretary nominee Janet Yellen.

Yellen's comments, urging lawmakers to "act big" on coronavirus relief and not worry too much about debt, helped assuage this week's risk averse tone and knocked the dollar index from a one-month high. The euro bounced off support around \$1.2050, lifting about 0.4% on the dollar overnight to hit \$1.2145, following a ZEW investor sentiment survey that beat forecasts and the Italian government surviving a confidence vote. It held near that level in Asia, and the risk-sensitive Australian and New Zealand dollars edged up in morning trade to also hold modest overnight rises. The Aussie was last up 0.2% at \$0.7707 and the kiwi up 0.1% to \$0.7122.

Joe Biden is inaugurated as U.S. President at noon in Washington today, though traders are more focused on his policies than the ceremony. The safe-haven yen was sold with the improvement in sentiment and briefly eased past 104 per dollar, as well as falling against other major currencies. It last traded at 103.84 per dollar. Sterling found support from the Bank of England's chief economist's prediction that Britain's economy begins to "recover at a rate of knots" in the second half of the year, and extended overnight gains slightly to \$1.3649. The Chinese yuan clung to modest gains in offshore trade at 6.4757 to the dollar ahead of a monthly interest rate fixing where traders expect no change in either one-year or five-year loan prime rates. Later on Wednesday Malaysia's central bank meets, with a decision due at 0700 GMT. Nine of 15 economists polled by Reuters expect it will cut benchmark interest rates to historic lows. The Bank of Canada is expected to hold rates steady when it announces policy today.

COMMODITIES

Gold prices edged higher on Wednesday as the dollar weakened after U.S. Treasury Secretary nominee Janet Yellen urged lawmakers for more coronavirus relief spending, lifting bullion's appeal as an inflation hedge. Oil prices rose in early trade on Wednesday, adding to solid gains overnight, on expectations the incoming U.S. administration will go ahead with massive stimulus spending that would boost fuel demand and draw down crude stocks.

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	5.50
3Year	6.25
4 Year	6.38
5 Year	6.60
6 Year	7.05
7 Year	7.15
8 Year	7.40

LIBOR

	USD	EUR	JPY	GBP
1 Month	0.13	(0.59)	(0.06)	0.03
3 Months	0.22	(0.55)	(0.07)	0.03
6 Months	0.24	(0.53)	(0.05)	0.04
12 Months	0.31	(0.50)	0.04	0.08

AWPLR %

Week ending 15/01	5.88
Week ago	5.75
Year ago	9.65

AWDR %

Dec 2020	5.80
Nov 2020	6.01
Year ago	8.14

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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