

TREASURY COMMENTARY – 22 JANUARY 2021LOCAL MARKET**MONEY**

Overnight call-money traded in a range of 4.52%-4.55% on Thursday (21.01.2021). Net market liquidity with the Central Bank was a Surplus of Rs 160.12 Bn on Thursday from a Surplus of Rs.166.79 Bn on Wednesday (20.01.2021).

USD/LKR MARKET VOLUMESVOLUME (USD Mn)
AS AT 21.01.2021

Cash	0.75
Tom	2.00
Spot	4.00
Forwards	36.85

MARKET LEVELS

Cash	196.25/199.25
Spot	196.27/199.27

INTERNATIONAL MARKET**FOREX**

The dollar was headed for its worst week of the year in Asian trading on Friday, as investors cheered in the Joe Biden administration by buying riskier currencies and refreshed bets that a pandemic recovery could push the greenback lower still. Against the euro EUR, the dollar is down almost 0.8% this week and it touched a week-low of \$1.2173 per euro on Friday. The dollar index has fallen by the same weekly margin, and was steady at 90.075 early in the Asia session. The euro had found some support from the European Central Bank keeping policy steady and accommodative. Scandinavian currencies have led the charge higher, with the Norwegian crown up 1.8% for the week, helped by Norges Bank's decision to hold its policy rate steady, albeit at zero. The Swedish crown is up 1.4% for the week. The risk-sensitive Antipodean currencies have also been gainers, with the Australian dollar up 0.8% and the kiwi climbing more than 1% over the week so far. Sterling rose to a 2-1/2 year high of \$1.3745 overnight on hopes Britain's vaccine roll-out can usher in a rebound in growth. It held at that level on Friday, up 1% for the week. The sentiment-driven moves have eroded gains made by the U.S dollar since the Democrats won control of the U.S. Congress earlier this month. The dollar had risen along with U.S. Treasury yields on expectations of more fiscal stimulus and government borrowing under a Biden administration. The dollar was steady against the Japanese yen on Friday at 103.58, but has lost 0.3% over the week. A heavy sell-off in Bitcoin saw the cryptocurrency drop 5% in Asia trade on Friday to hit an almost three-week low of \$28,800. Later on Friday, preliminary purchasing managers' index figures are due across Europe and the United States, and weakness is expected as fresh waves of coronavirus infection have driven new lockdowns and curtailed growth.

COMMODITIES

Gold eased on Friday as U.S. Treasury yields edged higher, although prices were set to post their best week in five helped by a weaker dollar and further stimulus bets. Oil prices steadied on Thursday after industry data showed a surprise increase in U.S. crude inventories that revived pandemic-related fuel demand concerns, while U.S. stimulus hopes buoyed prices.

ECONOMIC INDICATORS

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

3 Months	4.70
6 Months	4.77
12 Months	4.99

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

2 Year	5.50
3Year	6.18
4 Year	6.35
5 Year	6.60
6 Year	7.08
7 Year	7.15
8 Year	7.40

LIBOR

	USD	EUR	JPY	GBP
1 Month	0.13	(0.58)	(0.06)	0.03
3 Months	0.22	(0.55)	(0.07)	0.04
6 Months	0.23	(0.53)	(0.06)	0.05
12 Months	0.32	(0.50)	0.03	0.08

AWPLR %

Week ending 15/01	5.88
Week ago	5.75
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

Level-11

Tel: FX: 2664843-6 (Priyantha/Chaaminda/Chandika/Ramesha) Fax: 2664854

Interest Rates: 2664850-3 (Priyantha / Thayalan/ Sanka)

E-mail: forex@hnb.lk Fitch Rating: AA+(Ika.)