

**TREASURY COMMENTARY – 25 FEBRUARY 2021**LOCAL MARKET**MONEY**

Overnight call-money traded in the range of 4.53% - 4.55% on Wednesday (24.02.2021). Net market liquidity with the Central Bank was a Surplus of Rs 155.16 Bn on Wednesday from a Surplus of Rs.169.66 Bn on Tuesday (23.02.2021).

**FIXED INCOME SECURITIES**

At the Treasury Bond auction held on 24th February 2021, maturities of 15.11.2023, 15.09.2024, 15.01.2026 and 01.07.2028 were sold at the weighted averages of 6.25 percent, 6.70 percent, 7.07 percent and 7.57 percent respectively.

**USD/LKR MARKET VOLUMES**

VOLUME (USD Mn)  
AS AT 24.02.2021

Cash	10.50
Tom	5.00
Spot	8.92
Forwards	11.00

**MARKET LEVELS**

Cash	193.00/196.50
Spot	193.02/196.52

INTERNATIONAL MARKET**FOREX**

The safe-haven U.S. dollar weakened near three-year lows versus riskier currencies in Asian trade on Thursday as continued dovish signals from the Federal Reserve stoked reflation bets.

The greenback sank to a fresh low against the Australian dollar, and held near lows set overnight against its British, Canadian and New Zealand peers.

Fed Chair Powell reiterated on Wednesday that the central bank wouldn't adjust policy until the economy is clearly improving, and will look through any near-term spike in inflation.

Australia's dollar rose 0.1% to \$0.79717 on Thursday in Asia after earlier touching a fresh three-year high of \$0.7975.

The New Zealand and Canadian dollars traded just off Wednesday's multi-year highs.

Sterling was little changed at \$1.4143 after pushing to the point of \$1.43 overnight for the first time since April 2018.

The euro traded near the top of its recent range at \$1.2168, near the almost one-month high of \$1.2180 touched earlier this week.

The dollar strengthened though against other traditional safe haven currencies, rising 0.1% to 105.94 yen for a third day of gains. It held near the three-month high of 90.945 Swiss francs reached overnight.

**COMMODITIES**

Gold prices edged lower on Thursday as higher U.S. Treasury yields dented the metal's appeal, although losses were limited by a weaker dollar and Federal Reserve Chairman Jerome Powell's dovish comments. Oil prices climbed on Wednesday to fresh 13-month highs after U.S. government data showed a drop in crude output after a deep freeze disrupted production last week.

## ECONOMIC INDICATORS

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

<b>3 Months</b>	4.90
<b>6 Months</b>	4.99
<b>12 Months</b>	5.09

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

<b>2 Year</b>	6.00
<b>3Year</b>	6.70
<b>4 Year</b>	6.80
<b>5 Year</b>	7.05
<b>6 Year</b>	7.40
<b>7 Year</b>	7.55
<b>8 Year</b>	7.85

### LIBOR

	USD	EUR	JPY	GBP
<b>1 Month</b>	0.11	(0.57)	(0.06)	0.04
<b>3 Months</b>	0.18	(0.55)	(0.07)	0.06
<b>6 Months</b>	0.19	(0.52)	(0.04)	0.08
<b>12 Months</b>	0.27	(0.49)	0.04	0.13

### AWPLR %

<b>Week ending 19/02</b>	5.69
<b>Week ago</b>	5.83
<b>Year ago</b>	9.52

### AWDR %

<b>Jan 2021</b>	5.58
<b>Dec 2020</b>	5.80
<b>Year ago</b>	8.14

### INFLATION (%)

	November 2020	December 2020	January 2021	Year ago
<b>NCPI (YoY)</b>	5.2	4.6	3.7	6.2
<b>CCPI(YoY)</b>	4.1	4.2	3.0	5.7
<b>(12MW.Av)</b>	4.6	4.6	4.3	4.5

### 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](mailto:forex@hnb.lk) Fitch Rating: AA-(Ika.)**