

TREASURY COMMENTARY – 08 MARCH 2021LOCAL MARKET**MONEY**

Overnight call-money traded in the range of 4.54% - 4.55% on Friday (05.03.2021). Net market liquidity with the Central Bank was a Surplus of Rs 172.82 Bn on Friday from a Surplus of Rs.174.72 Bn on Thursday (04.03.2021).

USD/LKR MARKET VOLUMES

VOLUME (USD Mn)

AS AT 05.03.2021

Cash	8.00
Tom	5.00
Spot	8.00
Forwards	28.25

MARKET LEVELS

Cash	194.50/198.00
Spot	194.52/198.02

INTERNATIONAL MARKET**FOREX**

The dollar fell against the currencies of major commodity exporters in Asian trade on Monday as investors increased bets on countries that will benefit from rising prices for oil, metals, and other goods. The dollar also fell slightly against the British pound and the euro, but held at multi-month highs against the yen and the Swiss franc because of rising Treasury yields. Analysts said that sentiment for the dollar has improved because of positive economic data and progress in passing a \$1.9 trillion stimulus package, but that the greenback would continue to struggle against commodity currencies amid strong expectations for a rebound in global trade. "Commodity prices simply aren't coming down, so there's no way the dollar can rise against the Aussie and kiwi. However, the dollar will remain strong against the yen because yields are the main driver. "The Australian dollar rose 0.3% to \$0.7702, while the New Zealand dollar gained 0.18% to reach \$0.7177. The antipodean currencies are both in demand because of their links to the global commodities trade. The U.S. currency fell 0.38% against the Norwegian crown to 8.5283 and eased slightly to 1.2637 Canadian dollars as traders bought the currencies of oil exporters. Some traders said a jump in Brent crude futures above \$70 a barrel for the first time in more than a year triggered a flurry of bids for commodity currencies at the start of Asian trading. Against the euro, the dollar eased slightly to \$1.1921, but held steady at \$1.3844 against the British pound. The dollar index against a basket of six major currencies stood at 91.895, not far from a three-month high reached on Friday after data showed the U.S. economy created more than twice as many jobs as expected in February. Speculators cut their net short dollar positions in the latest week to \$27.80 billion, which is the smallest short position since Dec. 15 and suggests that dollar bears are giving up on betting against the greenback. The dollar traded at 108.35 yen, close to a nine-month high. The dollar was also buoyant against the Swiss franc, trading near an eight-month high of 0.9319, boosted by rising Treasury yields.

COMMODITIES

Gold prices rose on Monday, recovering from a near nine-month low hit in the previous session, as a passage of the long awaited \$1.9 trillion U.S. coronavirus relief package boosted the metal's appeal. China's crude oil imports for the first two months of 2021 reached 89.57 million tonnes, up 4.1% from a year ago and up 9.5% from the same period in 2019, bolstered by solid fuel demand and expanded refining capacity in the country.

ECONOMIC INDICATORS

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

3 Months	4.95
6 Months	5.03
12 Months	5.10

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

2 Year	6.00
3Year	6.62
4 Year	6.85
5 Year	7.05
6 Year	7.45
7 Year	7.55
8 Year	7.85

LIBOR

	USD	EUR	JPY	GBP
1 Month	0.10	(0.57)	(0.06)	0.04
3 Months	0.18	(0.54)	(0.08)	0.07
6 Months	0.19	(0.51)	(0.05)	0.09
12 Months	0.27	(0.48)	0.04	0.15

AWPLR %

Week ending 05/03	5.67
Week ago	5.76
Year ago	9.38

AWDR %

Feb 2021	5.36
Jan 2021	5.58
Year ago	8.06

INFLATION (%)

	December 2020	January 2021	February 2021	Year ago
NCPI (YoY)	4.6	3.7	-	7.6
CCPI(YoY)	4.2	3.0	3.3	6.2
(12MW.Av)	4.6	4.3	4.1	4.6

TREASURY DIVISION

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