

TREASURY COMMENTARY – 09 MARCH 2021LOCAL MARKET**MONEY**

Overnight call-money traded in the range of 4.54% - 4.55% on Monday (08.03.2021). Net market liquidity with the Central Bank was a Surplus of Rs 174.39 Bn on Monday from a Surplus of Rs.172.82 Bn on Friday (05.03.2021).

USD/LKR MARKET VOLUMESVOLUME (USD Mn)
AS AT 08.03.2021

Cash	7.00
Tom	10.00
Spot	0.00
Forwards	19.50

MARKET LEVELS

Cash	195.75/199.00
Spot	195.77/199.02

INTERNATIONAL MARKET**FOREX**

The U.S. dollar held near a 3 1/2-month high against its rivals in Asian trade on Tuesday as higher bond yields and expectations of faster economic normalization from the pandemic in the United States put the U.S. currency at an advantage. The dollar's index against six major currencies rose 0.1% to 92.469, its highest since late November, building on its 0.5% gains on Monday. Against the yen, the dollar rose to 109.19 yen, its highest level in nine months, while the euro slipped to \$1.18355, a low last seen in late November. The safe-haven Swiss franc softened to 0.9369 per dollar, its lowest level since late July, while the British pound eased to \$1.3818, having touched a three-week low of \$1.3779 overnight. The U.S. Centers for Disease Control and Prevention (CDC) said fully vaccinated people could meet without masks indoors in small groups with others who have been inoculated. The recommendations come as about 30 million people, or 9.2% of the U.S. population, have been vaccinated. "That also leads to a question as to whether the Fed can maintain its projections that it will not raise rates until 2023. Some policy makers may change their views at their policy meeting next week," Ishizuki said. The Federal Reserve will release its fresh projections when it will conclude its two-day policy meeting on March 17. The 10-year U.S. bond yields stood near its one-year peak hit on Friday as investors continued to price in more upbeat prospects for the U.S. economy as well as higher inflation. Traders are wary the yields could rise further this week as the market will have to digest \$120 billion auction of 3-, 10-, and 30-year Treasuries, especially after last week's soft auction and a horrible 7-year note sale that saw a spike in yields. Higher U.S. yields have started to undermine emerging market currencies, which had attracted investors' funds escaping rock-bottom bond returns in the United States. MSCI's emerging market currency index dropped to a three-month low after a fall of 0.82% on Monday, the biggest fall in about a year, with high-yielding currencies hit hard.

COMMODITIES

Oil prices rose on Tuesday on expectations of a recovery in the global economy after U.S. Senate approval of a \$1.9 trillion stimulus bill and on a likely drawdown in crude oil inventory in the United States. Gold prices hovered around a nine-month low on Tuesday, as a firmer dollar and higher U.S. Treasury yields continued to diminish the metal's appeal.

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	6.60
4 Year	6.80
5 Year	7.05
6 Year	7.42
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	(0.55)	(0.08)	0.07
6 Months	0.19	(0.52)	(0.05)	0.09
12 Months	0.28	(0.48)	0.05	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

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