

## TREASURY COMMENTARY – 21 APRIL 2021

### LOCAL MARKET

#### **MONEY**

Overnight call-money traded in the range of 4.60% - 4.70% on Tuesday (20.04.2021). Net market liquidity with the Central Bank was a Surplus of Rs 119.81 Bn on Tuesday from a Surplus of Rs.101.08 Bn on Monday (19.04.2021).

#### **USD/LKR MARKET VOLUMES**

VOLUME (USD Mn)  
AS AT 20.04.2021

Cash	9.50
Tom	-
Spot	8.40
Forwards	50.62

#### **MARKET LEVELS**

Cash 199.50/202.50

Spot 199.52/202.52

### INTERNATIONAL MARKET

#### **FOREX**

The dollar languished in Asian trade on Wednesday, hovering just above a seven-week low with subdued U.S. bond yields reducing the currency's yield appeal. The safe-haven greenback got some respite from a pullback in world stocks from record highs as flare ups in coronavirus infections from India to Canada soured the outlook for a quick global recovery. The safety bid also bolstered the yen, which climbed to a fresh seven-week peak of 107.88 per dollar on Wednesday. The dollar index which tracks the U.S. currency against six major peers, was at 91.196 early in the Asian trading day after slumping as low as 90.856 on Tuesday for the first time since March 3. It has declined 2.2% so far this month. The index "has broken down through a key short-term support level at 91.30 and can see further downside to the low 90s," with the euro rising to around \$1.22, Westpac strategists wrote in a client note. The single currency traded at \$1.2039, after touching a seven-week high of \$1.2079 overnight. The European Central Bank decides policy on Thursday, with the Federal Reserve following next week. The benchmark 10-year Treasury yield was around 1.56%, not far from its lowest since mid-March, as it continued to consolidate following its retreat from the 14-month high at 1.7760% reached at the end of last month. Declines in U.S. yields and the dollar in April have come as evidence mounted that the Fed would be slower in tightening monetary policy than it had appeared to the market, analysts said. Some encouragement for the euro came from the announcement that the European Union has secured an additional 100 million doses of the COVID-19 vaccine produced by BioNTech and Pfizer. Elsewhere though, pandemic developments triggered investor caution. India reported 1,761 deaths from COVID-19, its highest daily toll, while Canada and the United States extended a land-border closure for non-essential travelers. On Wall Street, travel stocks weighed on sentiment, with airline and cruise operators falling sharply. Oil fell, dragging commodity-linked currencies lower overnight. The Canadian dollar traded at C\$1.26050 to the greenback in Asia, following its biggest plunge in nearly two months on Tuesday. The Bank of Canada is due to announce a policy decision later Wednesday. The Australian dollar, a barometer for risk appetite, edged higher to \$0.77335 after sliding 0.4% overnight. In cryptocurrencies, bitcoin traded around \$56,000, consolidating following its dip to as low as \$51,541.16 on Sunday. It set a record high at \$64,895.22 on April 14.

#### **COMMODITIES**

Gold prices rose on Wednesday, hovering near a seven-week high hit earlier this week, as a soggy dollar and a retreat in U.S. Treasury yields lifted demand for the safe-haven metal. A U.S. House panel on Tuesday passed a bill to open the OPEC oil production group and countries working with it to lawsuits for collusion in boosting petroleum prices, but it was uncertain whether the full chamber would consider the legislation.

## ECONOMIC INDICATORS

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

<b>3 Months</b>	5.09
<b>6 Months</b>	5.12
<b>12 Months</b>	5.15

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

<b>2 Year</b>	6.30
<b>3Year</b>	6.70
<b>4 Year</b>	6.85
<b>5 Year</b>	7.25
<b>6 Year</b>	7.75
<b>7 Year</b>	7.80
<b>8 Year</b>	7.85

### LIBOR

	USD	EUR	JPY	GBP
<b>1 Month</b>	0.10	(0.57)	(0.06)	0.04
<b>3 Months</b>	0.18	(0.54)	(0.07)	0.08
<b>6 Months</b>	0.22	(0.52)	(0.04)	0.11
<b>12 Months</b>	0.28	(0.49)	0.05	0.15

### AWPLR %

<b>Week ending 16/04</b>	5.75
<b>Week ago</b>	5.43
<b>Year ago</b>	9.31

### AWDR %

<b>March 2021</b>	5.20
<b>Feb 2021</b>	5.36
<b>Year ago</b>	7.90

### INFLATION (%)

	January 2021	February 2021	March 2021	Year ago
<b>NCPI (YoY)</b>	3.7	4.2	-	8.1
<b>CCPI(YoY)</b>	3.0	3.3	4.1	5.4
<b>(12MW.Av)</b>	4.3	4.1	4.0	4.7

### 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.)**