

TREASURY COMMENTARY – 04 MAY 2021

LOCAL MARKET

MONEY

Overnight call-money traded in the range of 4.60% - 4.70% on Monday (03.05.2021). Net market liquidity with the Central Bank was a Surplus of Rs 147.69 Bn on Monday from a Surplus of Rs.151.31 Bn on Friday (29.04.2021).

USD/LKR MARKET VOLUMES

VOLUME (USD Mn)
AS AT 03.05.2021

Cash	-
Tom	15.10
Spot	13.25
Forwards	28.00

MARKET LEVELS

Cash 196.95/199.95

Spot 196.97/199.97

INTERNATIONAL MARKET

FOREX

The dollar nursed losses in Asian trading on Tuesday after an unexpected slowdown in U.S. manufacturing growth prompted investors to trim bets that a booming U.S. economy could boost the greenback. Data showed shortages of basic materials and transport snarls depressed the Institute for Supply Management manufacturing survey by 4.7 points to 64.7, toppling the dollar from a three-week peak on the yen and a two-week high on the euro. With Asia trade thinned by holidays in Japan and China, further moves were muted, leaving the dollar to drift up slightly off overnight levels to sit at 109.14 yen JPY and at \$1.2054 per euro. The common currency rose 0.3% overnight and found additional support from a surge in German retail sales and record-high euro zone factory activity. The Australian and New Zealand dollars edged a fraction lower on Tuesday after bouncing overnight, while the U.S. dollar index against a basket of key rivals tacked on 0.05% to 91.036. Traders' focus is now on services figures due on Wednesday and payrolls data on Friday and markets seem finely balanced. Some analysts say strong figures might boost the dollar by bringing forward expectations for higher interest rates, while others argue that a strong U.S. economy would weigh on the currency as imports gain and the trade deficit grows. Benchmark ten-year U.S. Treasury yields fell 2.5 basis points on Monday following the ISM miss and as New York Fed President John Williams reiterated that the recovery so far is "not nearly enough" to prompt monetary policy tightening. Also on the horizon are central bank meetings in Britain and Norway, and the Reserve Bank of Australia's policy outcome at 0430 GMT. No changes are expected from the RBA although the tone of the statement might provide hints on whether the bank will upgrade economic forecasts it is due to publish on Friday. The Australian dollar was 0.1% weaker in morning trade at \$0.7756, and the kiwi a tad softer at \$0.7194. Sterling was perched near a week-high on the euro and had overnight punched through its 20-day moving average against the dollar to sit at \$1.3905 as traders reckon the Bank of England may announce a slowdown of its bond purchases at its Thursday meeting.

COMMODITIES

Oil prices added to overnight gains on Tuesday, buoyed as more U.S. states eased lockdowns and the European Union sought to attract more travelers, which would help offset weakened fuel demand in India as COVID-19 cases soar. Gold prices edged lower on Tuesday, after hitting a more than two-month high in the previous session, as a stronger dollar and optimistic comments from U.S. Federal Reserve Chairman Jerome Powell on the economy weighed on the metal's safe-haven appeal.

ECONOMIC INDICATORS

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

3 Months	5.11
6 Months	5.14
12 Months	5.18

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

2 Year	6.30
3Year	6.75
4 Year	7.00
5 Year	7.40
6 Year	7.70
7 Year	7.75
8 Year	7.85

LIBOR

	USD	EUR	JPY	GBP
1 Month	0.11	(0.57)	(0.07)	0.05
3 Months	0.18	(0.54)	(0.09)	0.08
6 Months	0.20	(0.53)	(0.04)	0.11
12 Months	0.28	(0.49)	0.05	0.16

AWPLR %

Week ending 30/04	5.86
Week ago	5.54
Year ago	9.49

AWDR %

April 2021	5.07
March 2021	5.20
Year ago	7.77

INFLATION (%)

	February 2021	March 2021	April 2021	Year ago
NCPI (YoY)	4.2	5.1		5.9
CCPI(YoY)	3.3	4.1	3.9	5.2
(12MW.Av)	4.1	4.0	3.9	4.8

TREASURY DIVISION

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