

TREASURY COMMENTARY – 12 MAY 2021

LOCAL MARKET

MONEY

Overnight call-money traded in the range of 4.60% - 4.70% on Tuesday (11.05.2021). Net market liquidity with the Central Bank was a Surplus of Rs 140.83 Bn on Tuesday from a Surplus of Rs.139.76 Bn on Monday (10.05.2021).

FIXED INCOME SECURITIES

At the Treasury Bill auction held on 11th May 2021, maturities of 91-day, 182-day and 364-day settled at the weighted average rates of 5.12 percent, 5.14 percent and 5.18 percent respectively

USD/LKR MARKET VOLUMES

VOLUME (USD Mn)
AS AT 11.05.2021

Cash	2.00
Tom	15.00
Spot	13.30
Forwards	44.00

MARKET LEVELS

Cash	198.50/202.00
Spot	198.52/202.02

INTERNATIONAL MARKET

FOREX

The U.S. dollar hovered near its lowest levels of the year in Asian trading on Wednesday as traders hung on to bets that the Federal Reserve would remain steadfast in its easy policy settings ahead of data expected to show a sharp rise in annual U.S. inflation. Analysts forecast figures due at to show a 3.6% lift in year-on-year prices, boosted by last April's low base. The month-on-month forecast is for a modest 0.2% rise. Higher numbers might add pressure on the Fed to bring forward rate rises, a worry which has contributed to a selloff in rate-sensitive tech shares this week. But currency markets have been soothed by repeated promises of patience from Fed speakers and the dollar has been pressured by gains in commodity currencies. The greenback touched its weakest in two months against the euro overnight, following a strong European growth survey, and it traded just above that level at \$1.2140 early in Asia. The yen fell marginally to 108.79 per dollar. Sentiment helped the dollar index a fraction higher to 90.278 as selling pressure persisted in stock markets, but that still leaves it just above key support around 89.677 and 89.206. Commodity currencies cooled their heels near milestone peaks, with the Aussie and kiwi slipping about 0.2% in morning trade to sit just below recent ten-week tops, while the Canadian dollar held just shy of Tuesday's almost four-year high. Sterling hung on to recent gains to trade at \$1.4118. St. Louis Federal Reserve President James Bullard said on Tuesday he expects inflation could stay as high as 2.5% next year, while Fed Governor Lael Brainard said weak labour data last week shows the recovery has a long way to run. Nominal U.S. yields crept higher with the focus on inflation, but real yields remain negative and under pressure. The U.S. currency is also being weighed down by the improving global growth outlook, which tends to draw investors' cash to emerging markets, and by big and growing U.S. trade and current account deficits which also send dollars abroad.

COMMODITIES

Gold prices fell on Wednesday, as a rise in U.S. Treasury yields and a firmer dollar dented the metal's safe-haven appeal, while investors awaited U.S. consumer price index data due later in the day. Oil prices rose on Wednesday, extending overnight gains, after industry data showed a drop in U.S. crude inventories, which reinforced OPEC's robust demand outlook, and as the shutdown of the biggest U.S. fuel pipeline headed into a sixth day.

ECONOMIC INDICATORS

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

3 Months	5.12
6 Months	5.14
12 Months	5.18

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

2 Year	6.00
3Year	6.55
4 Year	7.00
5 Year	7.30
6 Year	7.70
7 Year	7.75
8 Year	7.90

LIBOR

	USD	EUR	JPY	GBP
1 Month	0.10	(0.57)	(0.06)	0.05
3 Months	0.16	(0.54)	(0.09)	0.08
6 Months	0.19	(0.52)	(0.04)	0.10
12 Months	0.27	(0.48)	0.05	0.17

AWPLR %

Week ending 07/05	5.74
Week ago	5.86
Year ago	9.41

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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