

TREASURY COMMENTARY – 18 MAY 2021

LOCAL MARKET

MONEY

Overnight call-money traded in the range of 4.60% - 4.75% on Monday (17.05.2021). Net market liquidity with the Central Bank was a Surplus of Rs 114.39 Bn on Monday from a Surplus of Rs.130.56 Bn on Thursday (13.05.2021).

USD/LKR MARKET VOLUMES

VOLUME (USD Mn)
AS AT 17.05.2021

Cash	13.00
Tom	-
Spot	37.65
Forwards	48.00

MARKET LEVELS

Cash	199.00/203.00
Spot	199.02/203.02

INTERNATIONAL MARKET

FOREX

The dollar plumbed a six-year trough against the Canadian dollar in Asian trading on Tuesday and teetered near multi-month lows versus European currencies amid renewed expectations that the United States will not hike interest rates anytime soon.

Dallas Federal Reserve President Robert Kaplan on Monday reiterated his view that he does not expect interest rates to rise until next year, fueling a further decline in bets that inflationary pressure could force the Fed to act sooner. This week a host of Fed policymakers are scheduled to speak, and the U.S. central bank will also release minutes from its most recent meeting, which may give indications about where monetary policy is headed this year. However, the growing consensus is that the Fed will tolerate what it sees as a temporary acceleration in inflation, which will keep the dollar lower against most major currencies. Against the euro EUR, the dollar traded at \$1.2167, close to the weakest since Feb. 26. The British pound rose to \$1.4174 to reach its strongest since late February. Sterling has been buoyed recently as investors cheer the gradual lifting of strict coronavirus restrictions. The Canadian dollar advanced to a six-year high of C\$1.2045 against the greenback, aided by a rise in oil prices. The dollar held steady at 109.16 yen. The currency pair has been locked in a narrow range amid worries about Japan's slow pace of vaccinations and weakness in the greenback. The yen fell against the British pound and the Antipodean currencies after data showed Japan's economy contracted more than expected due to coronavirus infections. Some investors were already scaling back expectations for a Fed rate hike this year, and Kaplan's comments gave traders even more incentive to sell the dollar. The onshore yuan edged up to 6.4332 per dollar, not far from an almost three-year high reached last week. The Australian and New Zealand dollars also rose against their U.S. counterpart. In the cryptocurrency market, bitcoin rose 2.91% to \$44,860 but was still close to a three-month low amid doubts about Tesla's boss Elon Musk's enthusiasm for the digital asset.

COMMODITIES

Gold prices on Tuesday rose to their highest in more than three months as a weaker U.S. dollar and growing inflationary pressure lifted bullion's appeal as an inflation hedge. Oil prices climbed on Tuesday, extending gains from the previous day, as optimism over the reopening of the U.S. and European economies outweighed fears of slower fuel demand in Asia due to surging COVID-19 cases and a new wave of restrictions.

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	6.50
4 Year	6.87
5 Year	7.27
6 Year	7.70
7 Year	7.75
8 Year	7.90

LIBOR

	USD	EUR	JPY	GBP
1 Month	0.10	(0.57)	(0.07)	0.05
3 Months	0.15	(0.54)	(0.09)	0.09
6 Months	0.19	(0.53)	(0.04)	0.10
12 Months	0.26	(0.49)	0.05	0.17

AWPLR %

Week ending 13/05	5.72
Week ago	5.74
Year ago	9.31

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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