

## TREASURY COMMENTARY – 23 JUNE 2021

### LOCAL MARKET

#### **MONEY**

Overnight call-money traded in the range of 4.70 % - 4.90 % on Tuesday (22.06.2021). Net market liquidity with the Central Bank was a Surplus of Rs 89.78 on Tuesday from a Surplus of Rs.87.29 Bn on Monday (21.06.2021).

#### **FIXED INCOME SECURITIES**

At the Treasury Bill auction held on 22nd June 2021, maturities of 91-day, 182-day and 364-day settled at the weighted average rates of 5.17 percent, 5.17 percent and 5.21 percent respectively

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

VOLUME (USD Mn)  
AS AT 22.06.2021

|          |       |
|----------|-------|
| Cash     | 07.45 |
| Tom      | 03.25 |
| Spot     | 21.00 |
| Forwards | 40.45 |

#### **MARKET LEVELS**

|      |               |
|------|---------------|
| Cash | 199.00/203.00 |
| Spot | 199.02/203.02 |

### INTERNATIONAL MARKET

#### **FOREX**

The U.S. dollar remained on the back foot against major peers in Asian trading on Wednesday after a two-day drop as U.S. Federal Reserve officials including Chair Jerome Powell reaffirmed that tighter monetary policy was still some way off. The dollar index which measures the greenback versus six rivals, was at 91.775 in early Asian trading, off a two-month high of 92.408 reached at the end of last week. It has now given up about a third of its sharp gains posted since last Wednesday, when the Fed surprised markets by signaling much earlier rate hikes than investors previously expected. Overnight, both Powell and New York Fed President John Williams warned that the economic recovery requires more time before a tapering of stimulus and higher borrowing costs are appropriate. The euro was little changed on Wednesday at \$1.19340, after rebounding from as low as \$1.18470 at the end of last week. The Aussie dollar often viewed as a proxy for risk sentiment, was largely flat at \$0.7546, up from a recent low of \$0.7478. The yen which tends to move inversely to U.S. Treasury yields, was mostly unchanged at 110.740 per dollar, close to the 110.825 mark reached last week for the first time since April 1 . Benchmark 10-year Treasury yields edged lower in Asia to 1.4616%, from as high as 1.5940% a week ago. "We will not raise interest rates pre-emptively because we fear the possible onset of inflation," Powell said on Tuesday in a hearing before a U.S. House of Representatives panel. "We will wait for evidence of actual inflation or other imbalances." Williams said Fed officials will keep a close eye on economic data to determine when it will be appropriate to start adjusting monetary policy. "That's still quite a ways off." Producer price inflation data on Friday is the next major economic focus for the United States. Elsewhere, bitcoin traded at around \$33,700 after dipping as low as \$28,600 on Tuesday for the first time since early January amid a deepening Chinese crackdown on cryptocurrencies. Declines over the past two months have cut gains for the year to just 16%. It was at a record \$64,895.22 as recently as April 14.

#### **COMMODITIES**

Gold prices gained on Wednesday after U.S. Federal Reserve Chair Jerome Powell promised not to raise interest rates too quickly based only on the fear of coming inflation, although an uptick in the dollar kept prices in check. Crude oil values in many parts of the world are rising on stronger demand and tighter supply, suggesting physical markets are catching up with a futures rally and providing more fundamental support for prices, traders and analysts say.

## ECONOMIC INDICATORS

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

|                  |      |
|------------------|------|
| <b>3 Months</b>  | 5.17 |
| <b>6 Months</b>  | 5.17 |
| <b>12 Months</b> | 5.21 |

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

|               |      |
|---------------|------|
| <b>2 Year</b> | 6.10 |
| <b>3 Year</b> | 6.68 |
| <b>4 Year</b> | 7.00 |
| <b>5 Year</b> | 7.35 |
| <b>6 Year</b> | 7.65 |
| <b>7 Year</b> | 8.00 |
| <b>8 Year</b> | 8.25 |

### LIBOR

|                  | USD  | EUR    | JPY    | GBP  |
|------------------|------|--------|--------|------|
| <b>1 Month</b>   | 0.09 | (0.57) | (0.07) | 0.05 |
| <b>3 Months</b>  | 0.13 | (0.54) | (0.08) | 0.08 |
| <b>6 Months</b>  | 0.16 | (0.52) | (0.05) | 0.11 |
| <b>12 Months</b> | 0.24 | (0.48) | 0.04   | 0.18 |

### AWPLR %

|                          |      |
|--------------------------|------|
| <b>Week ending 18/06</b> | 5.74 |
| <b>Week ago</b>          | 5.64 |
| <b>Year ago</b>          | 8.94 |

### AWDR %

|                   |      |
|-------------------|------|
| <b>May 2021</b>   | 4.97 |
| <b>April 2021</b> | 5.07 |
| <b>Year ago</b>   | 7.57 |

### INFLATION (%)

|                   | March 2021 | April 2021 | May 2021 | Year ago |
|-------------------|------------|------------|----------|----------|
| <b>NCPI (YoY)</b> | 5.1        | 5.5        | 6.1      | 5.2      |
| <b>CCPI (YoY)</b> | 4.1        | 3.9        | 4.5      | 4.0      |
| <b>(12MW.Av)</b>  | 4.0        | 3.9        | 3.9      | 4.7      |

### TREASURY DIVISION

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