

TREASURY COMMENTARY – 22 JULY 2021LOCAL MARKET**MONEY**

Overnight call-money traded in the range of 4.95 % - 5.10 % on Tuesday (20.07.2021). Net market liquidity with the Central Bank was a Surplus of Rs 1.83 Bn on Tuesday from a Surplus of Rs.53.59 Bn on Monday (19.07.2021).

USD/LKR MARKET VOLUMESVOLUME (USD Mn)
AS AT 20.07.2021

Cash	22.50
Tom	6.50
Spot	12.00
Forwards	34.15

MARKET LEVELS

Cash 199.00/203.00

Spot 199.02/203.02

INTERNATIONAL MARKET**FOREX**

The safe-harbour U.S. dollar and yen remained on the back foot in Asian trading on Thursday, after pulling back from multi-month highs amid a recovery in risk appetite as strong earnings lifted Wall Street stocks. Cryptocurrencies rallied after Tesla Inc CEO Elon Musk said the company would "most likely" resume accepting bitcoin for payment. The dollar index, which measures the currency against six major peers, stood at 92.810 after pulling back from a 3 1/2-month high of 93.194 touched on Wednesday. The yen traded at 130.045 per euro, from an almost four-month top of 128.610 earlier this week, and at 81.00 to Australia's dollar, from a 5 1/2-month peak of 79.85. Sterling GBP traded at \$1.3708, recovering from a 5 1/2-month trough of \$1.35725 reached on Tuesday, despite rising Delta variant cases in Britain and confusion about the lifting of restrictions in England. The Aussie changed hands at \$0.7350, from an eight-month low of \$0.72895 the previous day, even with half the Australian population under lockdown. The euro EUR stood at \$1.1789, rising off Wednesday's 3-1/2-month low of \$1.1752 ahead of a closely watched European Central Bank policy decision later in the global day. Policymakers will implement for the first time changes to their strategy and are all but certain to promise an even longer period of stimulus to make good on its commitment to boost inflation.

Analysts generally see ECB dovishness weakening the euro over the medium-term. In cryptocurrencies, bitcoin BTC held Wednesday's 7.9% jump - the biggest since mid-June - to trade around \$32,200. Rival Ether traded just below \$2,000 following a 12% surge.

COMMODITIES

Oil prices held on to most of their gains from the previous session on Thursday, as signs of stronger demand helped offset an unexpected rise in U.S. inventories. Oil prices fell earlier this week following a deal by OPEC+ to boost supply by 400,000 barrels per day from August through December. Gold inched lower on Thursday, as the dollar remained strong and investors looked past economic threats from rising cases of the Delta coronavirus variant and opted for riskier assets instead.

ECONOMIC INDICATORS

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

3 Months	5.22
6 Months	Rejected
12 Months	5.25

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

2 Year	5.92
3Year	6.60
4 Year	6.87
5 Year	7.32
6 Year	7.50
7 Year	7.95
8 Year	8.05

LIBOR

	USD	EUR	JPY	GBP
1 Month	0.09	(0.57)	(0.07)	0.05
3 Months	0.14	(0.56)	(0.08)	0.07
6 Months	0.15	(0.52)	(0.07)	0.09
12 Months	0.24	(0.48)	0.04	0.19

AWPLR %

Week ending 16/07	5.74
Week ago	5.63
Year ago	7.95

AWDR %

June 2021	4.87
May 2021	4.97
Year ago	7.38

INFLATION (%)

	April 2021	May 2021	June 2021	Year ago
NCPI (YoY)	5.5	6.1	-	5.2
CCPI(YoY)	3.9	4.5	5.2	3.9
(12MW.Av)	3.9	3.9	4.1	4.7

TREASURY DIVISION

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