

TREASURY COMMENTARY – 28 JULY 2021

LOCAL MARKET

MONEY

Overnight call-money traded in the range of 5.00 % - 5.15 % on Tuesday (27.07.2021). Net market liquidity with the Central Bank was a Surplus of Rs 21.85 Bn on Tuesday from a Surplus of Rs.18.70 Bn on Monday (26.07.2021).

FIXED INCOME SECURITIES

At the SL Development Bond auction held on 27th July 2021, maturities of 9 months(fixed), 1Y 8 months(fixed), 2Y 9 months(fixed) and 5 Year (fixed) settled at the weighted average rates of 7.69 %, 7.67% ,7.98% and 7.60% respectively.

USD/LKR MARKET VOLUMES

VOLUME (USD Mn)
AS AT 27.07.2021

Cash	06.30
Tom	-
Spot	08.30
Forwards	02.15

MARKET LEVELS

Cash	199.00/203.00
Spot	199.02/203.02

INTERNATIONAL MARKET

FOREX

The dollar was pinned below recent highs in Asian trading on Wednesday by a decline in real yields and by trepidation ahead of a Federal Reserve meeting, while other safe-haven currencies were in favour following an unnerving plunge in Chinese equity markets. The Japanese yen rose about 0.5% on the dollar overnight to touch a one-week high, while the Swiss franc and euro also rose a little. Each held on to their gains at the beginning of the Asia session, with the yen last trading at 109.85 per dollar and the euro at \$1.1819. The Chinese yuan teetered near a three-month low at 6.5180 per dollar after logging its worst day since October on Tuesday, while the risk-sensitive Australian and New Zealand dollars also nursed losses as sentiment took a hit. Hong Kong's Hang Seng Index suffered its sharpest selloff in more than a year on Tuesday amid growing fears about a Chinese government crackdown on tech and other sectors and jitters spilled over into U.S. markets. The gains by the yen, euro and franc combined to push the U.S. dollar index lower and it sat at 92.472 on Wednesday. Declining U.S. real yields, which hit another record low at the 10-year tenor overnight also cast a pall over the dollar and the global economic outlook. Sterling was an outlier and it jumped through its 20-day moving average overnight as traders took reports that Britain was considering opening borders as a signal of further re-opening benefits to come. It last sat at \$1.3874. Focus turns now to how Chinese markets trade at the open and to investors' positioning ahead of the Fed meeting. The dollar has enjoyed a month-long rally after a hawkish shift from the Fed in June and markets are waiting to see whether there are more clues this month on the timing of tapering as policymakers face spiking U.S. inflation. Hints of a faster end to extraordinary policy support could lift U.S. rates and the dollar, while a dovish-sounding Fed might put pressure on the greenback, analysts said.

COMMODITIES

Gold prices were flat on Wednesday, holding near the key psychological level of \$1,800 per ounce, as investors await the U.S. Federal Reserve's meeting for hints on policy tapering plans. Oil prices climbed on Wednesday after industry data showed U.S. crude and product inventories fell more sharply than expected last week, reinforcing expectations that demand will outstrip supply growth even amid a surge in COVID-19 cases.

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	6.00
3Year	6.72
4 Year	6.90
5 Year	7.35
6 Year	7.50
7 Year	7.95
8 Year	8.05

LIBOR

	USD	EUR	JPY	GBP
1 Month	0.09	(0.57)	(0.06)	0.05
3 Months	0.12	(0.55)	(0.09)	0.07
6 Months	0.15	(0.52)	(0.06)	0.08
12 Months	0.23	(0.49)	0.04	0.18

AWPLR %

Week ending 22/07	5.65
Week ago	5.74
Year ago	7.63

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	6.1	6.3
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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