

TREASURY COMMENTARY – 29 JULY 2021

LOCAL MARKET

MONEY

Overnight call-money traded in the range of 5.00 % - 5.15 % on Wednesday (28.07.2021). Net market liquidity with the Central Bank was a Surplus of Rs 20.52 Bn on Wednesday from a Surplus of Rs.21.85 Bn on Tuesday (27.07.2021).

FIXED INCOME SECURITIES

At the Treasury Bill auction held on 28th July 2021, maturities of 91-day and 364-day settled at the weighted average rates of 5.22 percent, 5.23 percent and 5.25 percent respectively.

USD/LKR MARKET VOLUMES

VOLUME (USD Mn)
AS AT 28.07.2021

Cash	03.00
Tom	07.00
Spot	03.00
Forwards	07.40

MARKET LEVELS

Cash	199.00/203.00
Spot	199.02/203.02

INTERNATIONAL MARKET

FOREX

The dollar hovered around a two-week low in Asian trading on Thursday, weighed down by the latest insistence from Federal Reserve chairman Jerome Powell that rate increases aren't on the radar, while sterling has been riding higher with re-opening optimism. Overnight, the Fed first sounded confident about the economy in its statement. Then Powell was more circumspect and said in his news conference that rate increases were "a ways away" and that the job market still had "some ground to cover". The greenback initially rose following the statement, before retreating to a two-week low of \$1.1849 per euro after Powell's remarks. It seems to be taking a breather from a month-long steady rise, and the euro is now above its 20-day moving average. Improved market mood after China's securities regulator held a phone call with banks to soothe fears about the recent selloff also put some support behind riskier currencies overnight, analysts said. The U.S. dollar index fell for a third straight session on Wednesday and hit a two-week low of 92.233, then held near that level at 92.257 early in the Asia session. The Chinese yuan has recovered most of its Tuesday plunge, though it traded slightly on the back foot ahead of the open of onshore markets on Thursday, at 6.4902 per dollar. The Australian dollar made a modest overnight rise, though it has been held back by a lengthening lockdown of Sydney which is set to drag on the national economy. The Aussie last sat at \$0.7372 while the kiwi bounced from its overnight lows to hover around \$0.6959. The Japanese yen has found support this week from nerves about the Delta coronavirus variant and jitters in China's equity market, and it held at 109.73 per dollar. Another big mover this week has been sterling, as traders have been encouraged by early signs that England's end to most COVID restrictions last week has not been a disaster. Sterling is up nearly 2.5% from a low around \$1.3572 last week to trade at \$1.3906 on Thursday, and it touched an almost four-month high of 84.97 pence per euro overnight. It has gained 3% from last week's four-month low on the yen and is on a bit of a tear against the Aussie, rising 1.2% over the week so far and more than 6% year-to-date. British infection numbers ticked higher on Wednesday, but the rolling averages are heading lower - though experts, and Prime Minister Boris Johnson, have cautioned that it is too early to draw conclusions.

COMMODITIES

Gold prices rose to its highest level in over a week on Thursday after the U.S. Federal Reserve failed to give a timeline for its tapering plans and said it was "ways away" from considering raising interest rates. Oil prices slipped but remained near \$75 per barrel on Thursday as crude stockpiles in the United States, the world's top oil consumer, fell last week to their lowest since January 2020 and imports and production dropped.

ECONOMIC INDICATORS

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

3 Months	5.22
6 Months	5.23
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)	0.05	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

Level-11

Tel: FX: 2664843-6 (Priyantha/Chaaminda/Chandika/Ramesha) Fax: 2664854

Interest Rates: 2664850-3 (Priyantha / Thayalan/ Sanka)

E-mail: forex@hnb.lk Fitch Rating: AA-(Ika.)