

TREASURY COMMENTARY – 30 JULY 2021

LOCAL MARKET

MONEY

Overnight call-money traded in the range of 5.00 % - 5.15 % on Thursday (29.07.2021). Net market liquidity with the Central Bank was a Surplus of Rs 23.89 Bn on Thursday from a Surplus of Rs.20.52 Bn on Wednesday (28.07.2021).

FIXED INCOME SECURITIES

At the Treasury Bond auction held on 29th July 2021, maturities of 01/12/2024, 01/02/2026, 01/05/2028 and 15/03/2031 settled at the weighted average rates of 6.87 percent, 7.47 percent, 8.17 percent and 8.86 percent respectively.

USD/LKR MARKET VOLUMES

VOLUME (USD Mn)
AS AT 29.07.2021

Cash	12.00
Tom	25.00
Spot	02.00
Forwards	49.10

MARKET LEVELS

Cash	199.00/203.00
Spot	199.02/203.02

INTERNATIONAL MARKET

FOREX

The dollar languished near a one-month low in Asian trading on Friday and was poised for its worst weekly performance since May as dovish remarks by the U.S. Federal Reserve together with underwhelming economic data took the steam out of a month-long rally. The dollar index which measures the greenback against a basket of six other currencies, was last at 91.91 after going as low as 91.855 on Thursday, a level not seen since June 29. For the week, the index is off 1%, its worst weekly showing since early May. For the month, the index is down 0.5% so far following a 2.8% rally in June. The Fed's caution is seen due to a slowdown in U.S. growth, easing in inflation and worries about the Delta variant," Dooley added. The dollar found little support overnight from U.S. gross domestic product numbers. While the U.S. economy expanded at a 6.5% annualized rate in the second quarter, boosted by massive government aid, growth fell short of economists' expectations for an 8.5% acceleration. The dollar held near a two-week low against the safe haven Japanese yen at 109.45. The euro climbed to a one-month high against the dollar to be last at \$1.1886 ahead of preliminary second quarter gross domestic product data for France, Germany, Italy and the euro area as well as preliminary July CPI prints for France, Italy and the euro area. The euro area also gets June unemployment data. Elsewhere, 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, at 6.4628 per dollar. Sentiment was helped by China's attempt to calm frayed investor nerves by telling foreign brokerages not to "over interpret" its latest regulatory actions. Both the Australian and New Zealand dollars, reliant on world and Chinese economic growth, hovered near two-week highs. The British pound hovered near its highest in over a month helped by the U.S. dollar's weaker tone and a fall in coronavirus cases in Britain. Investors will keep a close eye on a bunch of U.S. macro indicators due later in the day including second-quarter employment cost index, personal income and spending for June and the University of Michigan consumer sentiment index for July.

COMMODITIES

Gold prices held near a two-week high on Friday, and were set for their biggest weekly gain in more than two months, on renewed signs that the U.S. Federal Reserve may not taper economic support and hike interest rates in the near term. Oil prices fell on Friday but were on track to post solid gains for the week with demand growing faster than supply, while vaccinations dampen the impact of a resurgence in coronavirus cases worldwide.

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	6.05
3Year	6.65
4 Year	6.90
5 Year	7.40
6 Year	7.50
7 Year	8.05
8 Year	8.15

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

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