

TREASURY COMMENTARY – 17 SEPTEMBER 2021

LOCAL MARKET

MONEY

Overnight call-money traded in the range of 5.90 % - 6.00 % on Thursday (16.09.2021). Net market liquidity with the Central Bank was a deficit of Rs 209.83 Bn on Thursday from a deficit of Rs.185.05 Bn on Wednesday (15.09.2021).

USD/LKR MARKET VOLUMES

VOLUME (USD Mn)
AS AT 16.09.2021

MARKET LEVELS (Indicative Levels)

198.00 / 203.00

Cash	-
Tom	-
Spot	9.00
Forwards	29.00

INTERNATIONAL MARKET

FOREX

The dollar held near three-week highs against a basket of major currencies in Asian trade on Friday after a raft of strong U.S. economic data rekindled expectations of an earlier policy tightening by the U.S. Federal Reserve.

U.S. retail sales unexpectedly increased in August, rising 0.7% from the previous month despite expectations of a 0.8% fall, while a business sentiment survey by the Philadelphia Fed also showed a big improvement.

The dollar index stood at 92.865, near Thursday's three-week high of 92.965.

The euro hit a three-week low of \$1.17505 overnight and last traded at \$1.1769. The common currency also hit a three-week low of 128.61 yen and one-month low of 0.8501 British pound, before recovering some losses.

The dollar's strength was most pronounced against other safe-haven assets, such as the Swiss franc and precious metals.

The Swiss franc hit a five-month low of 0.92805 to the dollar, after falling 0.89% on Thursday.

The dollar bounced back to 109.84 yen, having gained 0.34% on Thursday to rise off Wednesday's six-week low of 109.11.

Elsewhere, sterling eased to \$1.3795 while the Australian dollar traded at \$0.7294 after touching a three-week low of \$0.7274 in the previous session.

COMMODITIES

Gold prices were set for a second weekly loss as a firmer dollar dented the metal's allure for holders of other currencies while investors await a key U.S. Federal Reserve meeting for clues on how soon the central bank will start to taper stimulus. Oil prices barely moved on Friday even as more supply came back online in the U.S. Gulf of Mexico following two hurricanes, with benchmark contracts on track to post weekly gains of around 4% as the output recovery is seen lagging demand.

ECONOMIC INDICATORS

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

3 Months	6.08
6 Months	Rejected
12 Months	6.12

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

2 Year	6.55
3 Year	7.90
4 Year	8.20
5 Year	8.85
6 Year	9.15
7 Year	9.40
8 Year	9.50

LIBOR

	USD	EUR	JPY	GBP
1 Month	0.08	(0.57)	(0.08)	0.04
3 Months	0.12	(0.56)	(0.08)	0.07
6 Months	0.14	(0.53)	(0.06)	0.10
12 Months	0.22	(0.49)	0.06	0.25

AWPLR %

Week ending 10/09	6.28
Week ago	6.01
Year ago	6.65

AWDR %

August 2021	4.75
July 2021	4.77
Year ago	6.74

INFLATION (%)

	June 2021	July 2021	August 2021	Year ago
NCPI (YoY)	6.1	6.8	-	6.1
CCPI(YoY)	5.2	5.7	6.0	4.1
(12MW.Av)	4.1	4.2	4.3	4.8

TREASURY DIVISION

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