

## TREASURY COMMENTARY – 24 SEPTEMBER 2021

### LOCAL MARKET

#### **MONEY**

Overnight call-money traded in the range of 5.90 % - 6.00 % on Thursday (23.09.2021). Net market liquidity with the Central Bank was a deficit of Rs 208.04 Bn on Thursday from a deficit of Rs.203.09 Bn on Wednesday (22.09.2021).

#### **USD/LKR MARKET VOLUMES**

VOLUME (USD Mn)  
AS AT 23.09.2021

Cash	06.50
Tom	01.50
Spot	06.60
Forwards	07.00

#### **MARKET LEVELS (Indicative Levels)**

198.00 / 203.00

### INTERNATIONAL MARKET

#### **FOREX**

The dollar wallowed near its lowest level in a week versus major peers in Asian trading on Friday, as improved risk sentiment wiped out recent gains amid easing concerns about contagion from a potential China Evergrande Group default. Risk appetite returned, lifting oil and global equities, even as hawkish comments from the Bank of England pushed up yields globally, with those on 10-year U.S. Treasury notes hitting the highest since July overnight at 1.437%. That failed to help the greenback though, with the U.S. Dollar Index, which measures the currency against a basket of six rivals, easing slightly to 93.068 from Thursday, when it slid 0.36% and touched the lowest since Sept. 17 at 92.977. That erased gains for the week, and set the index up for a 0.16% decline. Beijing injected fresh cash into its financial system on Thursday, as embattled property giant Evergrande announced it would make interest payments on an onshore bond. There has been no word yet, however, on whether it also made coupon payments on dollar bonds due that day, with more due next week. Even so, the mood improved, weighing on other safe havens like the yen and lifting commodity-linked currencies like the Australian dollar. The yen eased 0.05% to 110.385 per dollar after earlier hitting 110.435, its weakest level since Sept. 8. The euro added 0.05% to \$1.1743, continuing to rebound from a more than one-month low of \$1.16835 reached Thursday. The Aussie rose 0.21% to \$0.73105, and earlier touched a one-week high of \$0.73165. Meanwhile, sterling was 0.07% higher at \$1.3734, approaching the previous session's high of \$1.3750, a first since Sept. 20. Norway's crown was little changed at 8.5754 per dollar after jumping to a 1-1/2 month high of 8.5552 on Thursday, after the country's central bank raised its benchmark interest rate and said more hikes will follow in the coming months. A day earlier, the Federal Reserve said it could begin reducing its monthly bond purchases by as soon as November, and that interest rates could rise quicker than expected by next year. The Bank of England appeared to open the door to an interest rate hike before the end of the year." Several Fed officials are due to speak on Friday, including Chair Jerome Powell, who gives opening remarks at a Fed Listens event.

#### **COMMODITIES**

Gold prices edged higher on Friday after falling more than 1% in the previous session, helped by a subdued dollar, although Federal Reserve's plans on reducing stimulus to the U.S. economy kept the bullion on track for a third straight week of declines. Oil prices rose on Friday, with Brent crude touching its highest level in more than two months, supported by growing fuel demand and a draw in U.S. crude inventories as production remained hampered in the Gulf of Mexico after two hurricanes.

## ECONOMIC INDICATORS

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

<b>3 Months</b>	6.38
<b>6 Months</b>	6.27
<b>12 Months</b>	6.50

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

<b>2 Year</b>	7.50
<b>3 Year</b>	8.45
<b>4 Year</b>	8.75
<b>5 Year</b>	9.35
<b>6 Year</b>	9.65
<b>7 Year</b>	9.80
<b>8 Year</b>	9.95

### LIBOR

	USD	EUR	JPY	GBP
<b>1 Month</b>	0.09	(0.57)	(0.07)	0.05
<b>3 Months</b>	0.13	(0.56)	(0.07)	0.08
<b>6 Months</b>	0.16	(0.54)	(0.05)	0.11
<b>12 Months</b>	0.23	(0.50)	0.06	0.27

### AWPLR %

<b>Week ending 17/09</b>	6.40
<b>Week ago</b>	6.28
<b>Year ago</b>	6.25

### AWDR %

<b>August 2021</b>	4.75
<b>July 2021</b>	4.77
<b>Year ago</b>	6.74

### INFLATION (%)

	June 2021	July 2021	August 2021	Year ago
<b>NCPI (YoY)</b>	6.1	6.8	6.7	6.2
<b>CCPI(YoY)</b>	5.2	5.7	6.0	4.1
<b>(12MW.Av)</b>	4.1	4.2	4.3	4.8

### TREASURY DIVISION

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