

TREASURY COMMENTARY – 13 OCTOBER 2021

LOCAL MARKET

MONEY

Overnight call-money traded in the range of 5.80 % - 5.95 % on Tuesday (12.10.2021). Net market liquidity with the Central Bank was a deficit of Rs 43.01 Bn on Tuesday from a deficit of Rs. 43.95 Bn on Monday (11.10.2021).

FIXED INCOME SECURITIES

At the Treasury Bond auction held on 12th October 2021, maturities of 15.12.2023, 15.01.2027 and 01.10.2032 were sold at the weighted averages of 9.36 percent, 11.14 percent and 11.23 percent respectively.

USD/LKR MARKET VOLUMES

VOLUME (USD Mn)
AS AT 12.10.2021

MARKET LEVELS (Indicative Levels)

198.00 / 203.00

Cash	3.00
Tom	7.00
Spot	6.00
Forwards	16.45

INTERNATIONAL MARKET

FOREX

The dollar held near a one-year high versus major peers in Asian trade on Wednesday, amid rising expectations the Federal Reserve will announce a tapering of stimulus next month, potentially following with interest rate hikes by mid-2022.

The dollar index, which measures the greenback against six rivals, eased slightly to 94.460 from Tuesday, when it touched 94.563 for the first time since late September 2020.

A surge in energy prices has fueled inflation concerns and stoked bets that the Fed may need to move faster to normalize policy than officials had projected, sending two-year Treasury yields to their highest in more than 18 months overnight.

Higher U.S. yields helped push the dollar to a three-year high against the yen on Tuesday at 113.785 yen. The pair last traded at 113.485.

The euro changed hands at \$1.1541, well within sight of the previous session's \$1.1522, its lowest in nearly 15-month months.

Sterling meandered in the middle of this month's range, trading little changed from Tuesday at \$1.3596.

The risk-sensitive Aussie dollar slipped 0.2% to \$0.7335, retreating from Tuesday's one-month high at \$0.7384.

Bitcoin traded around \$56,500, after reaching a five-month high of \$57,855.79 at the start of the week.

COMMODITIES

Gold steadied on Wednesday as investors awaited U.S. inflation data and minutes from the Federal Reserve's last policy meeting for clues as to when the central bank would start withdrawing its pandemic stimulus. Oil steadied after a volatile session on Tuesday, pausing a rally that has brought prices to multi-year highs and raised concerns that higher energy costs could derail the global economic recovery.

ECONOMIC INDICATORS

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

3 Months	7.15
6 Months	7.20
12 Months	7.28

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

2 Year	9.30
3 Year	10.00
4 Year	10.25
5 Year	10.75
6 Year	11.10
7 Year	11.30
8 Year	11.35

LIBOR

	USD	EUR	JPY	GBP
1 Month	0.08	(0.57)	(0.07)	0.06
3 Months	0.12	(0.56)	(0.08)	0.11
6 Months	0.15	(0.53)	(0.04)	0.25
12 Months	0.26	(0.48)	0.06	0.52

AWPLR %

Week ending 08/10	6.71
Week ago	6.42
Year ago	6.32

AWDR %

September 2021	4.75
August 2021	4.75
Year ago	6.44

INFLATION (%)

	July 2021	August 2021	September 2021	Year ago
NCPI (YoY)	6.8	6.7	-	6.2
CCPI(YoY)	5.7	6.0	5.7	4.0
(12MW.Av)	4.2	4.3	4.5	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.)