

TREASURY COMMENTARY – 14 OCTOBER 2021

LOCAL MARKET

MONEY

Overnight call-money traded in the range of 5.80 % - 5.95 % on Wednesday (13.10.2021). Net market liquidity with the Central Bank was a deficit of Rs 38.58 Bn on Wednesday from a deficit of Rs. 43.01 Bn on Tuesday (12.10.2021).

FIXED INCOME SECURITIES

At the Treasury bill auction held on 13th October 2021, maturities of 91-day settled at the weighted average rate of 8.04 percent, 182-day and 364-day maturities were rejected.

MONETARY POLICY REVIEW

The Monetary Board of Central bank of Sri Lanka at its meeting held on 13th October decided to maintain the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility rate (SLFR) unchanged at 5 % and 6% respectively.

USD/LKR MARKET VOLUMES

VOLUME (USD Mn)
AS AT 13.10.2021

Cash	4.50
Tom	-
Spot	16.50
Forwards	18.00

MARKET LEVELS (Indicative Levels)

198.00 / 203.00

INTERNATIONAL MARKET

FOREX

The dollar touched its lowest this week against major peers in Asian trading on Thursday, taking a breather from a rally that had lifted it to a one-year high powered by expectations for quicker Federal Reserve interest rate hikes. The dollar index which measures the currency against six rivals, was about flat at 94.016, after dropping 0.53% on Wednesday, the most since Aug. 23. The index reached 94.563 on Tuesday, its highest since late September 2020, after surging nearly 3% since early last month. The dollar pulled back even after minutes of the Federal Open Market Committee's September meeting confirmed tapering of stimulus is all but certain to start this year, and showed a growing number of policymakers worried that high inflation could persist. A Labor Department report showed U.S. consumer prices rose solidly in September, and they are likely to rise further amid a surge in energy prices, potentially pressuring the Fed to act sooner to normalize policy. The U.S. 5-year, 5-year-forward breakeven inflation rate one of the more closely followed gauges of long-term inflation expectations, surged to its highest level in seven years at 2.59% overnight. Most Fed officials, including Chair Jerome Powell, have so far contended that price pressures will be transitory. Money markets are currently pricing about 50/50 odds of a first 25 basis point rate hike by July. The dollar edged 0.11% higher to 113.37 yen, but back from the three-year peak of 113.80 yen hit overnight. The euro was mostly flat from Wednesday at \$1.1599, but earlier touched \$1.1601 for the first time since Oct. 5. Sterling was little changed at \$1.3665, holding Wednesday's 0.55% advance and near its highest level this month. Bitcoin edged higher to touch a five-month peak at \$58,300.

COMMODITIES

Gold prices hovered near a one-month peak on Thursday as the dollar and longer-dated Treasury yields retreated from recent highs following hotter-than-expected U.S. inflation data. Oil prices rose on Thursday, reversing previous losses, on expectations that high natural gas prices as winter approaches may drive a switch to oil to meet heating demand needs.

ECONOMIC INDICATORS

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

3 Months	8.04
6 Months	Rejected
12 Months	Rejected

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

2 Year	10.00
3 Year	11.00
4 Year	11.25
5 Year	11.50
6 Year	11.75
7 Year	12.10
8 Year	12.25

LIBOR

	USD	EUR	JPY	GBP
1 Month	0.09	(0.57)	(0.07)	0.07
3 Months	0.12	(0.56)	(0.08)	0.12
6 Months	0.15	(0.54)	(0.06)	0.27
12 Months	0.26	(0.48)	0.06	0.53

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

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