

## TREASURY COMMENTARY – 15 OCTOBER 2021

### LOCAL MARKET

#### **MONEY**

Overnight call-money traded in the range of 5.80 % - 5.95 % on Thursday (14.10.2021). Net market liquidity with the Central Bank was a deficit of Rs 34.80 Bn on Thursday from a deficit of Rs. 38.58 Bn on Wednesday (13.10.2021).

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

VOLUME (USD Mn)  
AS AT 14.10.2021

Cash	1.50
Tom	5.00
Spot	18.00
Forwards	44.50

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

198.00 / 203.00

### INTERNATIONAL MARKET

#### **FOREX**

The dollar headed for its first weekly decline versus major peers in Asian trade on Friday, falling back from a one-year high as traders turned their attention to when the U.S. Federal Reserve will start raising interest rates.

The dollar index, which measures the greenback against six rivals, was little changed at 94.034 on Friday. It is on track for about a 0.1% decline this week despite hitting the highest since Sept. 25 of last year at 94.563 on Tuesday. Improved market sentiment, which has lifted global stocks, commodity prices and bond yields, is also weighing on the safe-haven dollar.

Only against the yen another safe haven has the dollar managed to maintain the momentum of the past five weeks, rising 0.16% on Friday and touching 113.885 yen for the first time since December of 2018.

The greenback had rallied since early September on expectations the U.S. central bank would tighten monetary policy more quickly than previously expected amid an improving economy and surging energy prices. Minutes of the Fed's September meeting confirmed this week that a tapering of stimulus is all but certain to start this year, although policymakers are sharply divided over inflation and what they should do about it.

The euro slipped 0.09% to \$1.1588 after touching \$1.1624 on Thursday for the first time since Sept. 4.

Sterling was little changed at \$1.36705 following its climb to the highest since Sept. 24 at \$1.3734 overnight.

The risk-sensitive Aussie dollar edged down 0.07% to \$0.74105, after reaching a more than one-month high of \$0.74265 in the previous session. New Zealand's kiwi dollar lost 0.06% to \$0.7033, holding most of Thursday's 1% surge, which took it to the highest since Sept. 24 at \$0.70415.

#### **COMMODITIES**

Gold was set on Friday for its best week in more than five months as a retreat in the U.S. dollar and Treasury yields lifted the metal's appeal despite a looming Federal Reserve taper. Oil prices climbed on Friday, heading for gains of more than 2% for the week, on increasing signs of tight supply over the next few months as rocketing gas and coal prices stoke a switch to oil products.

## ECONOMIC INDICATORS

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

<b>3 Months</b>	8.04
<b>6 Months</b>	Rejected
<b>12 Months</b>	Rejected

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

<b>2 Year</b>	9.15
<b>3 Year</b>	9.60
<b>4 Year</b>	10.25
<b>5 Year</b>	11.00
<b>6 Year</b>	11.50
<b>7 Year</b>	11.60
<b>8 Year</b>	11.75

### LIBOR

	USD	EUR	JPY	GBP
<b>1 Month</b>	0.08	(0.57)	(0.07)	0.06
<b>3 Months</b>	0.12	(0.56)	(0.08)	0.13
<b>6 Months</b>	0.15	(0.54)	(0.06)	0.27
<b>12 Months</b>	0.27	(0.48)	0.05	0.55

### AWPLR %

<b>Week ending 08/10</b>	6.71
<b>Week ago</b>	6.42
<b>Year ago</b>	6.32

### AWDR %

<b>September 2021</b>	4.75
<b>August 2021</b>	4.75
<b>Year ago</b>	6.44

### INFLATION (%)

	July 2021	August 2021	September 2021	Year ago
<b>NCPI (YoY)</b>	6.8	6.7	-	6.2
<b>CCPI (YoY)</b>	5.7	6.0	5.7	4.0
<b>(12MW.Av)</b>	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](mailto:forex@hnb.lk) Fitch Rating: AA-(Ika.)**