

TREASURY COMMENTARY – 21 OCTOBER 2021

LOCAL MARKET

MONEY

Overnight call-money traded in the range of 5.80 % - 5.95 % on Monday (18.10.2021). Net market liquidity with the Central Bank was a deficit of Rs 85.58 Bn on Monday from a deficit of Rs. 62.32 Bn on Friday (15.10.2021).

FIXED INCOME SECURITIES

At the Treasury Bill auction held on 18th October 2021, maturities of 91-day, 182-day and 364-day settled at the weighted averages of 8.39 percent, 8.16 percent and 8.17 percent respectively.

USD/LKR MARKET VOLUMES

MARKET LEVELS (Indicative Levels)

	VOLUME (USD Mn) AS AT 18.10.2021	
		198.00 / 203.00
Cash	10.40	
Tom	-	
Spot	12.00	
Forwards	-	

INTERNATIONAL MARKET

FOREX

Commodity currencies stood near multi-month highs in Asian trade on Thursday on strong raw material prices while the improved risk mood saw the U.S. dollar losing earlier momentum built from expectations the Federal Reserve would tighten monetary policy.

Sterling was also riding high on firming perceptions the Bank of England (BoE) will raise interest rates as soon as next month to curb inflation, despite softer-than-expected UK price data on Wednesday.

The dollar's index, having eased 0.3% so far this week, stood at 93.602, near its lowest level since late September.

Leading gains against the dollar were commodity currencies as oil prices hit their highest levels in many years.

The Canadian dollar hit a four-month high of C\$1.2308 per U.S. dollar on Wednesday and last traded at C\$1.2325, thanks also to higher-than-expected Canadian inflation data.

The Australian dollar also extended its bull run to hit a 3-1/2-month high of \$0.75225 while the New Zealand dollar hit a four-month peak of \$0.7208.

The British pound stood at \$1.3828, just shy of its Tuesday high of \$1.3834, its highest level in over a month.

Against the euro, sterling was near its highest levels since February 2020, at 84.26 pence per euro.

The positive risk mood weighed on the Japanese yen, often perceived as a safe-haven currency. The dollar stood at 114.39 yen, near Wednesday's four-year high of 114.695 yen.

COMMODITIES

Gold prices inched up on Thursday, extending gains into a third session as a softer dollar made the metal cheaper for buyers holding other currencies. Oil prices rose on Thursday to extend gains from the previous session as U.S. crude and fuel inventories tightened further, with supplies of gasoline hitting a two-year low, pointing to strong demand.

ECONOMIC INDICATORS

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

3 Months	8.39
6 Months	8.16
12 Months	8.17

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

2 Year	9.25
3 Year	9.50
4 Year	10.25
5 Year	11.00
6 Year	11.50
7 Year	11.60
8 Year	11.75

LIBOR

	USD	EUR	JPY	GBP
1 Month	0.08	(0.57)	(0.08)	0.13
3 Months	0.12	(0.57)	(0.08)	0.21
6 Months	0.17	(0.54)	(0.06)	0.42
12 Months	0.29	(0.48)	0.06	0.72

AWPLR %

Week ending 15/10	6.95
Week ago	6.71
Year ago	6.51

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

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