

TREASURY COMMENTARY – 25 NOVEMBER 2021

LOCAL MARKET

MONEY

Overnight call-money traded in the range of 5.85 % - 5.95 % on Wednesday (24.11.2021). Net market liquidity with the Central Bank was a deficit of Rs 224.10 Bn on Wednesday from a deficit of Rs. 233.68 Bn on Tuesday (23.11.2021).

FIXED INCOME SECURITIES

At the Treasury Bill auction held on 24 November 2021, maturities of 91-day, 182-day and 364-day settled at the weighted averages of 7.53 percent, 8.02 percent and 8.16 percent respectively.

USD/LKR MARKET VOLUMES

VOLUME (USD Mn)

AS AT 24.11.2021

Cash	14.50
Tom	-
Spot	21.50
Forwards	35.50

MARKET LEVELS (Indicative Levels)

198.00 / 203.00

INTERNATIONAL MARKET

FOREX

The U.S. dollar traded at its highest in over a year to the euro and near a five-year high against the yen in Asian trade on Thursday as a hawkish tilt by Federal Reserve policymakers, buoyed by strong U.S. data, contrasted to more dovish monetary outlooks in Europe and Japan. The dollar index, which measures the greenback against six major peers, eased slightly to 96.759, but still hovered close to Wednesday's high of 96.938, the strongest level since July 2020.

The dollar was little changed at 115.355 yen, holding close to the overnight high of 115.525, a level not seen since January 2017.

The euro edged higher to \$1.1210, but still traded within sight of the near 17-month low hit on Wednesday at \$1.1186 after German business confidence slumped for a fifth straight month.

Sterling rose 0.12% to \$1.3342 after dipping as low as \$1.3317 on Wednesday for the first time in 11 months. Investors remained focused on whether or not the Bank of England will raise interest rates on Dec. 16. The BOE wrong-footed many investors when it did not lift rates from record lows of 0.1% at the start of the month, following comments from its governor Andrew Bailey in October that policymakers "will have to act" to head off inflation.

Elsewhere, the risk-sensitive Australian dollar rose 0.17% to \$0.7208, lifting off Wednesday's \$0.7185, its lowest level since September. The New Zealand dollar gained 0.25% to \$0.68895, stabilizing after a slide to a three-month low of \$0.6856 the previous day, when the country's Reserve Bank raised the key rate by a quarter of a percentage point to 0.75%, disappointing bulls hoping for a half point increase.

COMMODITIES

Gold prices edged up on Thursday as the dollar eased slightly, but comments from U.S. Federal Reserve policymakers suggesting the central bank could accelerate stimulus tapering weighed on the metal and kept it well below the key \$1,800 mark. Oil prices ticked lower on Thursday with investors waiting to see how major producers respond to the emergency crude release by major consuming countries designed to cool the market, even as data pointed to healthy U.S. fuel demand.

ECONOMIC INDICATORS

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

3 Months	7.53
6 Months	8.02
12 Months	8.16

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

2 Year	8.70
3 Year	9.43
4 Year	9.90
5 Year	10.50
6 Year	10.90
7 Year	11.45
8 Year	11.60

LIBOR

	USD	EUR	JPY	GBP
1 Month	0.09	(0.58)	(0.07)	0.06
3 Months	0.18	(0.59)	(0.09)	0.12
6 Months	0.25	(0.54)	(0.05)	0.30
12 Months	0.44	(0.48)	0.05	0.69

AWPLR %

Week ending 19/11	8.03
Week ago	7.64
Year ago	5.95

AWDR %

October 2021	4.79
September 2021	4.75
Year ago	6.23

INFLATION (%)

	August 2021	September 2021	October 2021	Year ago
NCPI (YoY)	6.7	6.2	8.3	6.4
CCPI(YoY)	6.0	5.7	7.6	4.0
(12MW.Av)	4.3	4.5	4.8	4.6

TREASURY DIVISION

Level-11

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