

TREASURY COMMENTARY – 26 NOVEMBER 2021

LOCAL MARKET

MONEY

Overnight call-money traded in the range of 5.85 % - 6.00 % on Thursday (25.11.2021). Net market liquidity with the Central Bank was a deficit of Rs 211.69 Bn on Thursday from a deficit of Rs. 224.10 Bn on Wednesday (24.11.2021).

USD/LKR MARKET VOLUMES

VOLUME (USD Mn)
AS AT 25.11.2021

MARKET LEVELS (Indicative Levels)

198.00 / 203.00

Cash	-
Tom	20.70
Spot	12.20
Forwards	11.00

INTERNATIONAL MARKET

FOREX

The safe-haven yen rallied and the South African rand tumbled in Asian trading on Friday as investors turned cautious after Britain raised the alarm over a newly identified coronavirus variant spreading in the African nation. The yen leapt as much as 0.56% to 114.68 per dollar, while the rand slumped to a more than one-year trough at 16.17 per dollar as concern flared about the B.1.1.529 variant, which might make vaccines less effective. The risk-sensitive Australian dollar slid as much as 0.33% to a three-month low of \$0.71265, ignoring a much-better-than-expected climb in retail sales. The British pound slipped to a new 11-month low of \$1.3305. Meanwhile, the euro rose 0.12% to \$1.12185, stabilizing after hitting its lowest level in nearly 17 months earlier in the week at \$1.1186. Germany is considering following Austria's lead and reimposing a COVID-19 lockdown with the continent once again the epicenter of the pandemic.

The dollar index which measures the greenback against six peers, including the yen, euro and pound sterling - edged further away from Wednesday's 96.938 - its highest level in nearly 17 months. It last traded at 96.715. However, it was up 0.73% on the week, still headed for its fifth straight weekly gain. Traders have ramped up bets that an increasingly hawkish Federal Reserve will lift rates by the middle of next year, while central banks in Europe, Japan and elsewhere stick to more dovish stances.

Overnight, minutes from the European Central Bank's October meeting showed most policymakers leaning toward continued stimulus and a cautious approach to any policy changes, despite the pressure from heated inflation. By contrast, money markets are pricing for a Fed rate hike by July, with good odds it could come in June. A potentially crucial signpost for U.S. policy direction is due next Friday, with the release of monthly payrolls figures.

COMMODITIES

Gold was set on Friday for its worst week in five months, as bullion prices were hammered by increasing bets that the U.S. Federal Reserve would accelerate the pace of stimulus tapering and raise interest rates sooner to curb rising inflation. Oil prices slid more than 1% on Friday on concerns that a global supply surplus could swell in the first quarter following a coordinated release of crude reserves among major consumers, led by the United States.

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)	(0.08)	0.07
3 Months	0.18	(0.59)	(0.10)	0.12
6 Months	0.26	(0.55)	(0.05)	0.31
12 Months	0.47	(0.49)	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

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