

TREASURY COMMENTARY – 03 DECEMBER 2021

LOCAL MARKET

MONEY

Overnight call-money traded in the range of 5.85 % - 5.98 % on Thursday (02.12.2021). Net market liquidity with the Central Bank was a deficit of Rs 233.81 Bn on Thursday from a deficit of Rs. 218.33 Bn on Wednesday (01.12.2021).

USD/LKR MARKET VOLUMES

VOLUME (USD Mn)
AS AT 02.12.2021

Cash	15.00
Tom	06.00
Spot	19.00
Forwards	36.00

MARKET LEVELS (Indicative Levels)

198.00 / 203.00

INTERNATIONAL MARKET

FOREX

The dollar ticked higher in Asian trade on Friday amid a broadly calmer tone in markets as fears over Omicron's impact eased, but currency moves were muted ahead of a key U.S. payrolls report that could clear the path to earlier Federal Reserve interest rate hikes.

Scientists in South Africa, where the Omicron variant was first discovered last month, said existing vaccines should still protect against severe disease and death. The three Omicron cases identified in the U.S. also all displayed mild symptoms.

The dollar index, edged higher for a third day, rising 0.03% to 96.117. For the week, the dollar is little changed, despite a steep drop on Tuesday. Friday of last week though, the index had plunged 0.70%, the most since May.

The dollar slipped 0.09% to 113.10 yen on Friday, but that came after a 0.4% gain overnight.

The euro was little changed at \$1.13025, consolidating after its drop to an almost 17-month low at \$1.1186 last week.

The risk-sensitive Australian dollar eased 0.12% to \$0.7084, a fourth losing session.

Both the European Central Bank and Reserve Bank of Australia have stuck to dovish stances, pushing back against market bets that policymakers will be forced to bow to inflationary pressures.

COMMODITIES

Gold was set for a third straight weekly drop on Friday, weighed down by signals from Federal Reserve officials that the central bank could end its pandemic-era asset purchases and raise interest rates faster than expected to combat surging inflation. Oil prices climbed on Friday, extending gains after OPEC+ said it would review supply additions ahead of its next scheduled meeting if the Omicron variant hits demand, but prices were still on course for a sixth week of declines.

ECONOMIC INDICATORS

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

3 Months	7.23
6 Months	7.97
12 Months	8.12

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

2 Year	8.65
3 Year	9.20
4 Year	9.80
5 Year	10.40
6 Year	10.80
7 Year	11.10
8 Year	11.55

LIBOR

	USD	EUR	JPY	GBP
1 Month	0.10	(0.60)	(0.06)	0.06
3 Months	0.18	(0.60)	(0.07)	0.09
6 Months	0.26	(0.55)	(0.05)	0.29
12 Months	0.45	(0.49)	0.04	0.66

AWPLR %

Week ending 26/11	8.17
Week ago	8.03
Year ago	5.83

AWDR %

November 2021	4.82
October 2021	4.79
Year ago	6.01

INFLATION (%)

	September 2021	October 2021	November 2021	Year ago
NCPI (YoY)	6.2	8.3	-	5.5
CCPI(YoY)	5.7	7.6	9.9	4.1
(12MW.Av)	4.5	4.8	5.3	4.6

TREASURY DIVISION

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