

TREASURY COMMENTARY – 13 JANUARY 2022

LOCAL MARKET

MONEY

Overnight call-money traded in the range of 5.90 % - 6.00 % on Wednesday (12.1.2022). Net market liquidity with the Central Bank was a deficit of Rs 363.95 Bn on Wednesday from a deficit of Rs. 334.11 Bn on Tuesday (11.1.2022).

FIXED INCOME SECURITIES

At the Treasury Bill auction held on 12th January 2022, maturities of 91-day, 182-day and 364-day settled at the weighted average rates of 8.38 percent, 8.40 percent and 8.44 percent respectively.

USD/LKR MARKET VOLUMES

VOLUME (USD Mn)
AS AT 12.1.2022

Cash	30.90
Tom	10.00
Spot	07.90
Forwards	34.00

MARKET LEVELS (Indicative Levels)

198.75 / 203.00

INTERNATIONAL MARKET

FOREX

The dollar was below key support levels in Asian trade on Thursday, having hit new lows overnight, after data showing U.S. consumer prices rose at their fastest rate in nearly 40 years was not deemed worrying enough to change an already hawkish rates outlook.

After a couple of months in a tight range, the dollar dropped 0.6% on the euro overnight to \$1.1453, its lowest since mid-November. There isn't major chart resistance to further losses until \$1.1525. It held at \$1.1443 in Asia.

It also fell 0.6% on the yen, dropping through support around 115 to hit 114.38 yen per dollar, a more than two-week low. It last bought 114.63 yen early on Thursday.

Risk-sensitive currencies benefited as the Australian dollar rose more than 1%, its best percentage gain since October, and zoomed through its 50-day moving average to an almost two-month top of \$0.7292.

The New Zealand dollar jumped 0.9% and out of a two-month range after the U.S. inflation print and was testing its 50-day moving average at \$0.6853 in the Asia session.

Sterling, which has been rallying as traders reckon Britain's economy can survive a surge in COVID-19 cases and that the Bank of England is going to get started on rate hikes as soon as next month, is testing its 200-day moving average at \$1.3708. The Canadian dollar has also rallied more than 3.5% in three weeks, gaining with oil prices as investors look past the potential economic fallout of the Omicron variant.

COMMODITIES

Gold prices on Thursday held near a one-week high hit in the previous session, as the U.S. dollar and Treasury yields retreated after inflation data came in line with expectations and reiterated the need for a quicker interest rate hike. Oil prices slipped on Thursday, trimming big gains from the previous two sessions, amid uncertainty over near-term demand as cases of the highly contagious Omicron variant of the coronavirus surge around the globe.

ECONOMIC INDICATORS

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

3 Months	8.38
6 Months	8.40
12 Months	8.44

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

2 Year	8.65
3 Year	9.35
4 Year	11.10
5 Year	11.20
6 Year	11.50
7 Year	11.80
8 Year	11.85

LIBOR

	USD	EUR	JPY	GBP
1 Month	0.11	(0.61)	(0.06)	0.28
3 Months	0.24	(0.58)	(0.02)	0.50
6 Months	0.38	(0.55)	0.02	0.82
12 Months	0.69	(0.48)	0.04	-

AWPLR %

Week ending 07/1	7.93
Week ago	8.61
Year ago	5.75

AWDR %

December 2021	4.94
November 2021	4.82
Year ago	5.80

INFLATION (%)

	October 2021	November 2021	December 2021	Year ago
NCPI (YoY)	8.3	11.1	-	5.2
CCPI(YoY)	7.6	9.9	12.1	4.2
(12MW.Av)	4.8	5.3	6.0	4.6

TREASURY DIVISION

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