

## TREASURY COMMENTARY – 19 JANUARY 2022

### LOCAL MARKET

#### **MONEY**

Overnight call-money traded in the range of 5.90 % - 6.00 % on Tuesday (18.1.2022). Net market liquidity with the Central Bank was a deficit of Rs 382.63 Bn on Tuesday from a deficit of Rs. 364.93 Bn on Thursday (13.1.2022).

#### **USD/LKR MARKET VOLUMES**

VOLUME (USD Mn)  
AS AT 18.1.2022

Cash	30.50
Tom	-
Spot	-
Forwards	30.50

#### **MARKET LEVELS (Indicative Levels)**

198.75 / 203.00

### INTERNATIONAL MARKET

#### **FOREX**

The dollar was firm in Asian trade on Wednesday after a rip higher in U.S. yields vaulted it up sharply on the euro overnight, putting it back above support levels that have held for the past few months in anticipation of rising U.S. interest rates.

The euro fell about 0.7% on Tuesday, its sharpest daily drop in a month, and is back on its 50-day moving average at \$1.1323.

The dollar has also regained support levels against the Australian and New Zealand dollars and held sterling below its 200-day moving average.

The U.S. Federal Reserve meets to set policy next week and traders are growing anxious about another hawkish surprise.

The U.S. dollar index rose 0.5% on Tuesday and held that gain at 95.768 on Wednesday.

The Australian dollar held below its 50-day moving average at \$0.7187. It has struggled to break resistance just below 73 cents. The kiwi was pinned at \$0.6771.

Sterling has taken a knock in recent sessions but will be in focus later on Wednesday when British inflation figures are due.

#### **COMMODITIES**

Gold prices were flat on Wednesday, steadying near a one-week low hit in the previous session, as the U.S. Treasury yields strengthened to two-year highs on expectations of quicker interest rate hikes by the Federal Reserve. Oil prices rose for a fourth day to a seven-year high as an outage on a pipeline from Iraq to Turkey increased concerns about an already tight supply outlook amid worrisome geopolitical troubles in Russia and the United Arab Emirates.

## ECONOMIC INDICATORS

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

<b>3 Months</b>	8.38
<b>6 Months</b>	8.40
<b>12 Months</b>	8.44

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

<b>2 Year</b>	9.15
<b>3 Year</b>	9.50
<b>4 Year</b>	10.80
<b>5 Year</b>	10.85
<b>6 Year</b>	11.10
<b>7 Year</b>	11.50
<b>8 Year</b>	11.85

### LIBOR

	USD	EUR	JPY	GBP
<b>1 Month</b>	0.10	(0.61)	(0.06)	0.30
<b>3 Months</b>	0.24	(0.58)	(0.02)	0.51
<b>6 Months</b>	0.39	(0.55)	0.02	0.83
<b>12 Months</b>	0.72	(0.48)	0.04	-

### AWPLR %

<b>Week ending 13/1</b>	8.58
<b>Week ago</b>	7.93
<b>Year ago</b>	5.88

### AWDR %

<b>December 2021</b>	4.94
<b>November 2021</b>	4.82
<b>Year ago</b>	5.80

### INFLATION (%)

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

### TREASURY DIVISION

Level-11

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