

TREASURY COMMENTARY – 21 JANUARY 2022

LOCAL MARKET

MONEY

Overnight call-money traded in the range of 6.40 % - 6.50 % on Thursday (20.1.2022). Net market liquidity with the Central Bank was a deficit of Rs 440.99 Bn on Thursday from a deficit of Rs. 414.54 Bn on Wednesday (19.1.2022).

FIXED INCOME SECURITIES

At the SLDB auction held during 13-20 January 2022, maturities of 5 months, 9 months, 1 year and 2 months and 2 year and 3 months settled at the fixed weighted averages of 7.70 percent, 7.86 percent, 8.00 percent and 8.00 percent respectively.

USD/LKR MARKET VOLUMES

VOLUME (USD Mn)
AS AT 20.1.2022

Cash	10.00
Tom	0.10
Spot	5.00
Forwards	5.00

MARKET LEVELS (Indicative Levels)

198.75 / 203.00

INTERNATIONAL MARKET

FOREX

The safe-haven yen gained versus the riskier Australian dollar in Asian trade on Friday as risk sentiment soured amid rekindled fears of heated inflation and aggressive Federal Reserve policy tightening.

The dollar took a breather from recent gains as a rally in U.S. Treasury yields stalled, but was still headed for its best week in two months against a basket of major peers.

The Aussie, often considered a liquid proxy for risk appetite sank as much as 0.57% to 82.02 yen, its weakest level in a month, and was last down 0.32% at \$0.72035.

The greenback slipped 0.15% to 113.915 yen, a one-week low.

The Federal Open Market Committee (FOMC) convenes a two-day policy meeting starting Tuesday, at the conclusion of which market participants will closely parse the committee's statement regarding the tightening timeline.

The dollar index which measures the currency against six rivals was 0.03% higher at 95.795 after touching a more than one-week high of 95.864 on Thursday. For the week, it is up 0.65%, rebounding from last week's 0.61% slide.

The euro slipped 0.06% to \$1.1303, matching Thursday's low, which was its weakest level since Jan. 10.

Sterling lost 0.05% to \$1.3586, nearing its lowest since Jan. 11.

COMMODITIES

Gold prices were muted on Friday and were on course for a second consecutive weekly gain, as investors turned to safe-haven assets while awaiting signals on interest rate hikes from the U.S. Federal Reserve's meeting next week. Oil prices plunged on Friday, after rising to seven-year highs this week, as an increase in U.S. crude and fuel stockpiles prompted investors to take profits from the rally.

ECONOMIC INDICATORS

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

3 Months	8.49
6 Months	8.44
12 Months	8.48

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

2 Year	9.15
3 Year	9.50
4 Year	10.80
5 Year	10.85
6 Year	11.00
7 Year	11.50
8 Year	11.85

LIBOR

	USD	EUR	JPY	GBP
1 Month	0.10	(0.61)	(0.06)	0.36
3 Months	0.25	(0.58)	(0.02)	0.56
6 Months	0.44	(0.55)	0.02	0.89
12 Months	0.79	(0.48)	0.04	-

AWPLR %

Week ending 13/1	8.58
Week ago	7.93
Year ago	5.88

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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