

TREASURY COMMENTARY – 25 JANUARY 2022

LOCAL MARKET

MONEY

Overnight call-money traded in the range of 6.40 % - 6.50 % on Monday (24.01.2022). Net market liquidity with the Central Bank was a deficit of Rs 457.19 Bn on Monday from a deficit of Rs. 448.37 Bn on Friday (21.01.2022).

USD/LKR MARKET VOLUMES

VOLUME (USD Mn)
AS AT 24.01.2022

Cash	0.05
Tom	6.00
Spot	3.10
Forwards	13.00

MARKET LEVELS (Indicative Levels)

198.75 / 203.00

INTERNATIONAL MARKET

FOREX

The safe-haven U.S. dollar hovered near a two-week high against its major peers in Asian trade on Tuesday amid escalating worries about both a faster pace of Federal Reserve policy tightening and potential military conflict in Ukraine. The Australian dollar rose briefly after strong consumer price numbers boosted the case for a Reserve Bank interest rate increase this year. The Fed begins a two-day policy meeting later in the global day, and investors will be anxious for any hints on the timing and pace of rate hikes, as well as about how fast the central bank will shrink its more-than \$8 trillion holdings of Treasuries and mortgage debt. Money markets are priced for a first rate hike in March, with three more quarter-point increases by year-end. The dollar index which measures the greenback against six major peers, edged up slightly to 95.920, after climbing as high as 96.135 overnight for the first time since Jan. 10.

The euro slipped 0.08% to \$1.1323, leaving it near the middle of its range of the past week. Overnight it fell as low as \$1.1291 for the first time since Jan. 10. The dollar eased slightly to 113.87 versus fellow safe haven the yen, after recovering from a one-month low of 113.47 touched in the previous session.

The Aussie traded 0.09% higher at \$0.7150 after briefly climbing as much as 0.45% as a key inflation gauge jumped to a 7 1/2-year peak. Many analysts contend that such a pace will force the RBA into a rate hike this year, despite Governor Philip Lowe previously maintaining that such an eventuality was extremely unlikely. Money markets have long been at odds with the RBA's dovish stance, and are priced for a rate hike by June.

Cryptocurrencies traded weaker, but were well off the lows tested at the start of the week. Bitcoin changed hands at close to \$36,500, after dipping below \$33,000 on Monday for the first time in six months. It has halved in value since touching a record \$69,000 in November.

COMMODITIES

Gold prices were little changed on Tuesday, as investors looked for interest rate hike cues from the U.S. Federal Reserve's meeting, while safe-haven bullion was buoyed by risk-off trades over concerns of Russia-Ukraine discord. Oil prices climbed on Tuesday, regaining some of the ground lost in the previous day's sharp losses, on concerns over possible supply disruptions amid rising geopolitical tensions in both Eastern Europe and the Middle East.

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	9.75
3 Year	10.35
4 Year	11.00
5 Year	11.10
6 Year	11.25
7 Year	11.50
8 Year	11.85

LIBOR

	USD	EUR	JPY	GBP
1 Month	0.10	(0.61)	(0.06)	0.37
3 Months	0.26	(0.58)	(0.02)	0.56
6 Months	0.44	(0.55)	0.03	0.89
12 Months	0.79	(0.48)	0.04	1.01

AWPLR %

Week ending 21/1	8.65
Week ago	8.58
Year ago	5.76

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	14.0	4.6
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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