

TREASURY COMMENTARY – 27 JANUARY 2022

LOCAL MARKET

MONEY

Overnight call-money traded in the range of 6.40 % - 6.50 % on Wednesday (26.01.2022). Net market liquidity with the Central Bank was a deficit of Rs 466.49 Bn on Wednesday from a deficit of Rs. 466.34 Bn on Tuesday (25.01.2022).

FIXED INCOME SECURITIES

At the Treasury Bill auction held on 26th January 2022, the 91-day, 182-day and 364-day maturities settled at the weighted averages of 8.63 percent, 8.55 percent and 8.55 percent respectively.

USD/LKR MARKET VOLUMES

VOLUME (USD Mn)

AS AT 26.01.2022

Cash	16.75
Tom	-
Spot	07.00
Forwards	45.25

MARKET LEVELS (Indicative Levels)

198.75 / 203.00

INTERNATIONAL MARKET

FOREX

The dollar hit multi-week highs against other major currencies in Asian trade on Thursday, bolstered after Federal Reserve chair Jerome Powell primed investors for U.S. rate hikes beginning in March.

Overnight the Fed left its policy rate unchanged but Powell foreshadowed a sustained battle to tame inflation. The dollar leapt 0.7% against the yen in the wake of the Fed's decision and Powell's remarks, its steepest daily jump in more than two months as the prospect of imminent hikes spooked stock markets and drove bond yields higher. The yen inched a fraction lower to 114.74 per dollar on Thursday. The euro was sold to a six-week low of \$1.2301 and the Australian dollar fell about 0.4% to a seven-week trough of \$0.7076.

The New Zealand dollar headed for a sixth consecutive session of selling and touched an almost 15-month low of \$0.6626, despite data showing inflation there running at a three-decade high.

Among other data in the spotlight, Chinese industrial profit growth slowed in December, while U.S. economic growth and jobless claims figures are due later in the day. Sterling is testing support at \$1.3454, as investors await a Bank of England meeting next week and have an eye on the turmoil enveloping Prime Minister Boris Johnson, who is under pressure after attending parties during lockdowns.

After a battering last week, cryptocurrencies have mostly held their ground in the wake of the Fed's meeting, though bitcoin saw some pressure early in the Asia session and was last down nearly 2% to \$36,100.

COMMODITIES

Gold was flat on Thursday, holding near a one-week low hit in the previous session, after the Federal Reserve decided on March rate hikes that pushed up U.S. Treasury yields and the dollar, while uncertainty over Ukraine capped bullion's losses. Oil prices fell on Thursday as investors cashed in profits from the 2% gains in the previous session after the U.S. Federal Reserve indicated an interest rate hike in March, leading to a technical correction in surging energy markets.

ECONOMIC INDICATORS

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

3 Months	8.63
6 Months	8.55
12 Months	8.55

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

2 Year	9.75
3 Year	10.35
4 Year	11.35
5 Year	11.40
6 Year	11.45
7 Year	11.50
8 Year	11.85

LIBOR

	USD	EUR	JPY	GBP
1 Month	0.10	(0.61)	(0.06)	0.40
3 Months	0.27	(0.58)	(0.02)	0.58
6 Months	0.46	(0.55)	0.03	0.92
12 Months	0.80	(0.48)	0.11	1.02

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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