

## TREASURY COMMENTARY – 17 MAY 2022

### LOCAL MARKET

#### **MONEY**

Overnight call-money traded at 14.50 % on Friday (13.05.2022). Net market liquidity with the Central Bank was a deficit of Rs 582.06 Bn on Friday from a deficit of Rs. 561.50 Bn on Thursday (12.05.2022).

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

VOLUME (USD Mn)  
AS AT 13.05.2022

Cash	7.00
Tom	0.04
Spot	1.50
Forward	5.50

### INTERNATIONAL MARKET

#### **FOREX**

The dollar fought for a footing in Asian trading on Tuesday and the tumbling Chinese yuan found a floor as investors trimmed bets on whether U.S. interest rate rises will drive further dollar gains. The greenback has edged from a two-decade high this week and was a touch softer across the board in early Asia trade, while U.S. bond yields have pulled back slightly as traders reckon aggressive near-term hikes will drag on longer-run U.S. growth. The euro rose about 0.1% on the dollar to \$1.0446 and the Australian and New Zealand dollars lifted about 0.1% and are off multi-year lows.

China's yuan was steady at 6.7953 per dollar in offshore trade, and seems to be finding a base after sliding more than 6% in a month. Hopes for an end to Shanghai's strict COVID-19 lockdown has offset poor April economic data and traders are also encouraged by more signs of policy support.

Sterling has bounced about 1.5% from a two-year hold and was steady at \$1.2328 on Tuesday. The yen held at 129.115 and is holding above a two-decade trough. The U.S. dollar index dipped marginally to 104.100 and is about 0.8% below Friday's 20-year peak of 105.100.

Global interest rate expectations are also growing more hawkish. The gap between 10-year German and U.S. real yields has narrowed by more than 30 basis points this month and central banks in Britain and Australia have raised rates. Minutes from the Reserve Bank of Australia's May meeting are due later in the day as are public appearances from several Federal Reserve officials, including Chairman Jerome Powell at 1800 GMT. The Australian dollar last bought \$0.6976 and the New Zealand dollar \$0.6309

#### **COMMODITIES**

Gold prices were little changed on Tuesday, as a pullback in the dollar supported demand for greenback-priced bullion and countered pressure from a recovery in U.S. Treasury yields. Oil prices opened lower in early Asian trade on Tuesday after the European Union's efforts to enact a ban on Russian oil imports, a move that would tighten global supply, ran into resistance from member country Hungary.

## ECONOMIC INDICATORS

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

<b>3 Months</b>	24.07
<b>6 Months</b>	24.69
<b>12 Months</b>	24.50

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

<b>2 Year</b>	-
<b>3 Year</b>	-
<b>4 Year</b>	-
<b>5 Year</b>	-
<b>6 Year</b>	-
<b>7 Year</b>	-
<b>8 Year</b>	-

\*No firm rates in the market.

### LIBOR

	USD	EUR	JPY	GBP
<b>1 Month</b>	0.93	(0.54)	(0.05)	0.97
<b>3 Months</b>	1.45	(0.40)	(0.01)	1.28
<b>6 Months</b>	2.01	(0.20)	0.03	1.69
<b>12 Months</b>	2.65	0.18	0.12	2.15

### AWPLR %

<b>Week ending 13/5</b>	19.36
<b>Week ago</b>	19.55
<b>Year ago</b>	5.72

### AWDR %

<b>April 2022</b>	5.52
<b>March 2022</b>	5.17
<b>Year ago</b>	5.07

### INFLATION (%)

	February 2022	March 2022	April 2022	Year ago
<b>NCPI (YoY)</b>	17.5	21.5	-	5.1
<b>CCPI(YoY)</b>	15.1	18.7	29.8	3.9
<b>(12MW.Av)</b>	7.9	9.1	11.3	3.9

### TREASURY DIVISION

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