

**TREASURY COMMENTARY – 18 MAY 2022**LOCAL MARKET**MONEY**

Overnight call-money traded at 14.50 % on Tuesday (17.05.2022). Net market liquidity with the Central Bank was a deficit of Rs 589.63 Bn on Tuesday from a deficit of Rs. 582.06 Bn on Friday (13.05.2022).

**USD/LKR MARKET VOLUMES**VOLUME (USD Mn)  
AS AT 17.05.2022

Cash	5.56
Tom	-
Spot	2.00
Forward	4.00

INTERNATIONAL MARKET**FOREX**

Overnight surges left the euro and pound sitting pretty in Asian trading helped by good U.K. jobs data and a general improvement in investor sentiment on solid U.S. retail sales and hopes of easing lockdowns in China. The European common currency touched \$1.0563 in early Asia trade, after rising 1.1% overnight, its largest day of percentage gains since March. Sterling touched \$1.2501 after a 1.4% overnight rally, its best day since late 2020, also helped by data that showed Britain's jobless rate hit a 48-year low.

These gains pushed the dollar index, which measures the greenback against six peers, as low as 103.18 in early Asia, its lowest in nearly two weeks. Shanghai on Tuesday achieved its long-awaited milestone of three consecutive days with no new COVID-19 cases outside quarantine zones having set out its clearest timetable yet for exiting a lockdown the day before. U.S. retail sales rose strongly in April as consumers bought more motor vehicles amid an improvement in supply and increased spending at restaurants.

Also reflecting the improved risk sentiment, equities jumped overnight and U.S. benchmark Treasury yields gained, and were last at 2.9878%. Overnight, Federal Reserve Chairman Jerome Powell said at a Wall Street Journal event on Tuesday, the Fed will "keep pushing" to tighten U.S. monetary policy until it is clear inflation is slowing. While the dollar briefly pared its losses after Powell's remarks, it then resumed its decline.

The higher yields helped put an end to the yen's small recent recovery, as the Japanese currency is very sensitive to higher rates in the United States. The yen was last at 129.28 per dollar, little changed on the day. The Australian dollar was on the front foot, helped by the improved risk sentiment and was trading at \$0.7035, extending a 0.8% gain on Tuesday. The Aussie was also helped by minutes from a central bank meeting published on Tuesday which hinted that the Reserve Bank of Australia will hike interest rates again in June.

**COMMODITIES**

Gold prices edged higher on Wednesday, as a weakening dollar countered pressure from stronger Treasury yields and an aggressive stance on inflation by the U.S. Federal Reserve chief. Oil prices rose more than \$1 a barrel in early Asian trade on Wednesday on hopes of demand recovery in China as the country gradually eases some of its strict COVID-19 containment measures.

## 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>	23.25
<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>	0.92	(0.55)	(0.05)	0.98
<b>3 Months</b>	1.44	(0.40)	(0.01)	1.32
<b>6 Months</b>	2.00	(0.19)	0.03	1.76
<b>12 Months</b>	2.67	0.20	0.12	2.25

### 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

Level-11

**Tel: FX: 2664843-6 (Priyantha/Thayalan/Chaaminda/Chandika/Randheera/Pasan) Fax: 2664854**

**Interest Rates: 2664850-3 (Priyantha / Thayalan/Vajira/Mewan/Sanka)**

**E-mail: [forex@hnb.lk](mailto:forex@hnb.lk) Fitch Rating: AA-(Ika.)**