

TREASURY COMMENTARY – 20 MAY 2022LOCAL MARKET**MONEY**

Overnight call-money traded at 14.50 % on Thursday (19.05.2022). Net market liquidity with the Central Bank was a deficit of Rs 609.58 Bn on Thursday from a deficit of Rs 588.75 Bn on Wednesday (18.05.2022).

USD/LKR MARKET VOLUMESVOLUME (USD Mn)
AS AT 19.05.2022

Cash	4.08
Tom	-
Spot	4.00
Forward	-

INTERNATIONAL MARKET**FOREX**

The U.S. dollar headed for its worst week since early February against major peers in Asian trading on Friday, weighed down by a retreat in Treasury yields and fatigue after the currency's breathless 10%, 14-week surge. The dollar index, which measures it against six major rivals, was down 1.5% for the week to 102.96, on track to snap a six-week winning run. A week earlier it had soared to the highest since January 2003 at 105.01. Even with global stocks continuing to slide amid risks to growth from aggressive monetary tightening, led by the Federal Reserve, and China's strict lockdowns to quash a COVID-19 outbreak, the dollar's appeal as a haven was eclipsed by a decline in U.S. yields as investors rushed for the safety of Treasury bonds.

Other safe haven currencies continued to rally overnight, as a key index of global equities. The yen headed for a second-straight weekly advance, with the dollar dropping 1.16% to 127.785 yen since last Friday. The Swiss franc headed for its best week since March 2020, with the dollar falling 2.9% over the period to last trade at 0.97265 franc. Concerns grew that the Fed and other central banks have fallen behind the curve in combatting super-hot inflation, and will need to be ever more aggressive in tightening policy, inflicting pain on the economy as a consequence.

The Australian and New Zealand dollars have drawn some support from signs of a reopening in their major trading partner, despite the risk-off tone in equity markets. The Aussie has rallied 1.4% this week and the kiwi has added 1.49%. Australia's currency slipped on Friday though, down 0.23% to \$0.7031, as the U.S. dollar bounced a bit after the Aussie's 1.33% surge on Thursday. New Zealand's kiwi though held all of the previous day's 1.41% jump, ticking up a bit more to \$0.63845. The Reserve Bank of New Zealand sets policy next Wednesday, with expectations for another half-point increase to the key rate. The euro edged 0.07% lower on Friday to \$1.05735, but was still on course for a 1.55% weekly gain. Sterling slipped 0.07% to \$1.24615, but was up 1.66% for the week, its best showing since late 2020.

COMMODITIES

Gold prices on Friday hovered near a one-week high scaled in the previous session, and were set for their first weekly gain since mid-April, as the U.S. dollar receded from two-decade highs, reviving demand for safe-haven bullion. Oil prices were little changed on Friday as worries about weaker economic growth offset expectations that crude demand could rebound in China as Shanghai lifts some coronavirus lockdowns.

ECONOMIC INDICATORS

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

3 Months	24.07
6 Months	24.69
12 Months	24.50

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

2 Year	-
3 Year	22.00
4 Year	-
5 Year	21.50
6 Year	-
7 Year	-
8 Year	-

*No firm rates in the market.

LIBOR

	USD	EUR	JPY	GBP
1 Month	0.96	(0.54)	(0.05)	1.01
3 Months	1.50	(0.38)	(0.01)	1.33
6 Months	2.03	(0.16)	0.03	1.79
12 Months	2.71	0.24	0.05	2.20

AWPLR %

Week ending 13/5	19.36
Week ago	19.55
Year ago	5.72

AWDR %

April 2022	5.52
March 2022	5.17
Year ago	5.07

INFLATION (%)

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

TREASURY DIVISION

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