

TREASURY COMMENTARY – 24 June 2022

LOCAL MARKET

MONEY

Overnight call-money traded at 14.50 % on Thursday (23.06.2022). Net market liquidity with the Central Bank was a deficit of Rs 509.36 Bn on Thursday from a deficit of Rs 508.15 Bn on Wednesday (22.06.2022).

USD/LKR MARKET VOLUMES

VOLUME (USD Mn)
AS AT 23.06.2022

Cash	5.10
Tom	-
Spot	2.20
Forward	3.75

INTERNATIONAL MARKET

FOREX

The Euro slid across the board in Asian trading on Thursday as weaker-than-expected German and French PMI data showed that the euro zone economy is struggling to gain traction, prompting traders to trim bets on big rate-hike moves from the European Central Bank.

The dollar, on the other hand, rose against a major currency basket, as risk appetite soured, with safe-haven U.S. Treasuries in demand amid rising recession prospects. Higher prices in the euro zone meant demand for manufactured goods fell in June at the fastest rate since May 2020 at the height of the coronavirus pandemic. The S&P Global's headline factory Purchasing Managers' Index (PMI) fell to a near two- year low of 52.0 from 54.6. Following the data, money markets priced in about 30 basis points (bps) of ECB rate hikes in July compared to 34 bps on Monday. Traders also trimmed expectations of how much the ECB will hike rates by the end of 2022 to 161 bps, compared to 176 bps on Monday. In the United States, the U.S. Composite PMI Output Index, which tracks the manufacturing and services sectors, dropped to 51.2 in June from a final reading of 53.6 in May, S&P Global said on Thursday. The euro's losses pulled the dollar away from earlier lows and sent the greenback into positive territory against its rivals after cautious comments by Federal Reserve Chair Jerome Powell on Wednesday weighed on sentiment. The dollar index rose 0.3% to 104.48. While markets have steadfastly held the view that the Fed will raise rates by another 75 bps in July, some analysts believe the ECB and Bank of England will adopt a softer tightening path or risk damaging growth.

COMMODITIES

Oil prices rose slightly in early Asian trade on Friday as nations seek to address global crude oil and fuel supply tightness. OPEC and allied producing countries including Russia will likely stick to a plan for accelerated output increases in August in hopes of easing crude prices and inflation as U.S. President Joe Biden plans to visit Saudi Arabia, sources said. Gold gave up initial gains and edged lower on Thursday as the dollar regained momentum after U.S. Federal Reserve Chairman Jerome Powell doubled down on the central bank's policy tightening aimed at taming inflation.

ECONOMIC INDICATORS

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

3 Months	20.73
6 Months	21.90
12 Months	22.04

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

2 Year	-
3 Year	21.25
4 Year	-
5 Year	21.00
6 Year	21.00
7 Year	-
8 Year	-

*No firm rates in the market.

LIBOR

	USD	EUR	JPY	GBP
1 Month	1.62	(0.51)	(0.06)	1.22
3 Months	2.20	(0.16)	(0.03)	1.62
6 Months	2.84	0.28	0.04	2.24
12 Months	3.53	1.11	0.05	2.95

AWPLR %

Week ending 17/6	21.27
Week ago	21.60
Year ago	5.74

AWDR %

May 2022	6.99
April 2022	5.52
Year ago	4.97

INFLATION (%)

	March 2022	April 2022	May 2022	Year ago
NCPI (YoY)	21.5	33.8	45.3	6.1
CCPI(YoY)	18.7	29.8	39.1	4.5
(12MW.Av)	9.1	11.3	14.2	3.9

TREASURY DIVISION

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