

**TREASURY COMMENTARY – 28 June 2022**LOCAL MARKET**MONEY**

Overnight call-money traded at 14.50 % on Monday (27.06.2022). Net market liquidity with the Central Bank was a deficit of Rs 473.34 Bn on Monday from a deficit of Rs 489.70 Bn on Friday (24.06.2022).

**USD/LKR MARKET VOLUMES**

VOLUME (USD Mn)  
AS AT 27.06.2022

|         |      |
|---------|------|
| Cash    | 3.45 |
| Tom     | -    |
| Spot    | 2.20 |
| Forward | 1.25 |

INTERNATIONAL MARKET**FOREX**

The euro won support in Asian trading on Tuesday as traders braced for European inflation figures to run hot this week and awaited a speech from central bank chief Christine Lagarde, while worries about a recession kept the U.S. dollar firm. The euro rose 0.3% overnight and at one point poked above its 50-day moving average. It last sat at \$1.0578. The dollar held modest overnight gains on other currencies and traded at 135.37 yen and \$0.6936 per Australian dollar early in the Asia session.

German inflation figures are due on Wednesday, French data on Thursday and euro zone numbers on Friday. European Central Bank President Lagarde is also due to speak at the ECB forum in Sintra, Portugal, at 0800 GMT on Tuesday. Hike expectations have the euro trading firmly against the yen and it last bought 143.28 yen, close to last week's seven-year high of 144.24. It also has momentum on sterling and has gained 1.2% this month to 86.15 pence. The weak spot is against the Swiss franc which has rocketed to test parity on the common currency following a surprise rate hike by the Swiss National Bank earlier in June.

Moves elsewhere were modest as traders try and navigate between relief that signs of weakness in recent global economic data can moderate rate hikes, and worry that it could be a harbinger of the onset of a difficult period of stagflation. Some of the heat has come out of bets on U.S. interest rate rises, with the peak in the Federal Reserve's benchmark funds rate now seen hovering around 3.5% next year rather than 4% or above, but the dollar has not yet fallen far from lofty peaks. The U.S. dollar index struck a two-decade high of 105.79 this month and was last steady at 103.93. The risk-sensitive Australian and New Zealand dollars have been left behind in last week's stock market bounce. The kiwi was steady at \$0.6306 on Tuesday. Sterling was similarly becalmed at \$1.2274.

**COMMODITIES**

Gold prices were steady on Tuesday, as traders refused to commit in either direction in the absence of market-moving catalysts. Oil prices rose about 1% in early Asian trade on Tuesday after the United Arab Emirates' energy minister said the nation is producing near capacity, countering expectations that it could help boost supply in a tight market.

## ECONOMIC INDICATORS

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

|                  |       |
|------------------|-------|
| <b>3 Months</b>  | 20.73 |
| <b>6 Months</b>  | 21.90 |
| <b>12 Months</b> | 22.04 |

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

|               |       |
|---------------|-------|
| <b>2 Year</b> | -     |
| <b>3 Year</b> | 21.25 |
| <b>4 Year</b> | -     |
| <b>5 Year</b> | 20.75 |
| <b>6 Year</b> | 20.75 |
| <b>7 Year</b> | -     |
| <b>8 Year</b> | -     |

\*No firm rates in the market.

### LIBOR

|                  | USD  | EUR    | JPY    | GBP  |
|------------------|------|--------|--------|------|
| <b>1 Month</b>   | 1.65 | (0.55) | (0.05) | 1.22 |
| <b>3 Months</b>  | 2.23 | (0.21) | (0.02) | 1.64 |
| <b>6 Months</b>  | 2.86 | 0.22   | 0.04   | 2.25 |
| <b>12 Months</b> | 3.57 | 0.97   | 0.15   | 2.85 |

### AWPLR %

|                         |       |
|-------------------------|-------|
| <b>Week ending 24/6</b> | 22.27 |
| <b>Week ago</b>         | 21.27 |
| <b>Year ago</b>         | 5.82  |

### AWDR %

|                   |      |
|-------------------|------|
| <b>May 2022</b>   | 6.99 |
| <b>April 2022</b> | 5.52 |
| <b>Year ago</b>   | 4.97 |

### INFLATION (%)

|                   | March 2022 | April 2022 | May 2022 | Year ago |
|-------------------|------------|------------|----------|----------|
| <b>NCPI (YoY)</b> | 21.5       | 33.8       | 45.3     | 6.1      |
| <b>CCPI(YoY)</b>  | 18.7       | 29.8       | 39.1     | 4.5      |
| <b>(12MW.Av)</b>  | 9.1        | 11.3       | 14.2     | 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.)**