

TREASURY COMMENTARY – 05 August 2022

LOCAL MARKET

MONEY

Overnight call-money traded at 15.50 % on Thursday (04.08.2022). Net market liquidity with the Central Bank was a deficit of Rs 463.19 Bn on Thursday from a deficit of Rs 462.72 Bn on Wednesday. (03.08.2022).

USD/LKR MARKET VOLUMES

VOLUME (USD Mn)
AS AT 04.08.2022

| | |
|---------|-------|
| Cash | 32.22 |
| Tom | 1.00 |
| Spot | 2.20 |
| Forward | 29.75 |

INTERNATIONAL MARKET

FOREX

The dollar struggled to gain a footing in Asian Trading on Friday after falling by its sharpest pace in two weeks, as investors remained on tenterhooks ahead of the widely anticipated U.S. jobs data and amid growing worries about a recession. The U.S. dollar index USD, which measures the greenback against a basket of currencies, fell 0.68% overnight, the largest fall since July 19, and last traded 105.79. Investors await the key U.S. nonfarm payrolls report due at 1230 GMT, which will provide hints of how the U.S. economy is faring. Economists expect an increase of 250,000 jobs for the month of July, after 372,000 were added in June. However, signs of softening in the labour market could already be underway, as overnight data showed that the number of Americans filing new claims for unemployment benefits increased last week. Against the weaker greenback, the Euro surged 0.8% overnight and last traded \$1.0238, though reprieve is likely short-lived as concerns about an energy crisis remain. A stand-off over the return of a turbine that Russia says is holding back gas supplies to Europe showed no sign of being resolved on Thursday, as Moscow said it needed documentation to confirm the equipment was not subject to sanctions. Meanwhile, sterling GBP held steady at around \$1.2157 in the early Asia trade on Friday, recouping most of its losses following a grim signal from the Bank of England. The pound is down about 0.3% for the week, reversing gains made the previous two weeks. On Thursday, the BOE raised its benchmark rate by half a percentage-point to 1.75%, the highest since late 2008, but warned about a long recession ahead in Britain. Elsewhere, the dollar tumbled 0.69% against the yen overnight JPY and is on track for a third straight weekly loss. It last traded 132.9 yen per dollar. Similarly, the risk-sensitive Aussie AUD and kiwi NZD stood at \$0.6956 and \$0.6290, respectively, after rising about 0.2% and 0.3% overnight.

COMMODITIES

Gold prices firmed on Friday to hover near a one-month high, as a retreat in dollar and U.S. Treasury yields and growing recession fears boosted demand, keeping the safe-haven metal on track for its third straight weekly rise. Oil prices extended losses on Friday, after hitting their lowest since before Russia's February invasion of Ukraine in the previous session, as the market fretted over the impact of inflation on global economic growth and demand.

ECONOMIC INDICATORS

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

| | |
|------------------|-------|
| 3 Months | 27.72 |
| 6 Months | 28.97 |
| 12 Months | 29.19 |

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

| | |
|---------------|-------|
| 2 Year | 24.00 |
| 3 Year | 27.75 |
| 4 Year | - |
| 5 Year | - |
| 6 Year | - |
| 7 Year | - |
| 8 Year | - |

*No firm rates in the market.

LIBOR

| | USD | EUR | JPY | GBP |
|------------------|------|--------|--------|------|
| 1 Month | 2.37 | (0.04) | (0.05) | 1.67 |
| 3 Months | 2.86 | 0.25 | (0.01) | 2.02 |
| 6 Months | 3.39 | 0.67 | 0.04 | 2.56 |
| 12 Months | 3.88 | 0.96 | (0.01) | 3.20 |

AWPLR %

| | |
|--------------------------|-------|
| Week ending 29/07 | 24.94 |
| Week ago | 23.53 |
| Year ago | 5.76 |

AWDR %

| | |
|------------------|------|
| July 2022 | 9.56 |
| June 2022 | 8.41 |
| Year ago | 4.77 |

INFLATION (%)

| | May 2022 | June 2022 | July 2022 | Year ago |
|-------------------|----------|-----------|-----------|----------|
| NCPI (YoY) | 45.3 | 58.9 | | 6.1 |
| CCPI(YoY) | 39.1 | 54.6 | 60.8 | 5.7 |
| (12MW.Av) | 14.2 | 18.4 | 23.1 | 4.2 |

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