

TREASURY COMMENTARY – 10 August 2022

LOCAL MARKET

MONEY

Overnight call-money traded at 15.50 % on Tuesday (09.08.2022). Net market liquidity with the Central Bank was a deficit of Rs 461.95 Bn on Tuesday from a deficit of Rs 471.20 Bn on Monday. (08.08.2022).

FIXED INCOME SECURITIES

At the Treasury Bill auction held on 09th August 2022, maturities of 91-day, 182-day and 364-day settled at the weighted average rates of 28.43 percent, 28.97 percent and 29.15 percent respectively

USD/LKR MARKET VOLUMES

VOLUME (USD Mn)
AS AT 09.08.2022

Cash	7.57
Tom	2.00
Spot	2.00
Forward	7.60

INTERNATIONAL MARKET

FOREX

The Dollar traded firmly in Asian trading on Wednesday in anticipation of U.S. inflation data, which even if it comes in softer-than-expected is still likely to be so red hot that steep U.S. interest rate rises will be required to rein it in. Economists expect year-on-year headline inflation running at a scorching 8.7%, a small retreat from June's whopping 9.1% figure. Core inflation is expected at 0.5% month-on-month.

Currency market moves have been slight in the lead up and for previous releases, reactions have been more muted than in the volatile bond market. The greenback was broadly steady overnight, though has paused a bit of a retreat that began in the middle of July. It bought 135.14 Japanese yen and sat at \$1.0208 per Euro. The Australian and New Zealand dollars eased slightly, with the Aussie last at \$0.6958 - just above its 50-day moving average. The kiwi bought \$0.6284. Traders expect reaction to turn on the core inflation figure. Chinese inflation data is also due on Wednesday, though is expected to show it firmly under control. The yuan CNY has faced some pressure from rising Sino-U.S. tensions and a widening property and banking crisis in China. In offshore trade, the yuan CNH was steady at 6.7550 per dollar. Bitcoin, rattled by a drumbeat of cryptocurrency fund wipeouts and thefts over recent months, fell sharply on Tuesday and was at \$23,070 on Wednesday. In emerging markets, the Bank of Thailand is expected to lift interest rates from record lows and the baht hung on to recent gains.

COMMODITIES

Gold prices struggled for momentum on Wednesday, as investors refrained from making big bets ahead of U.S. inflation data that is expected to influence the pace of Federal Reserve rate hikes. Oil prices edged lower on Wednesday, after industry data showed U.S. crude inventories unexpectedly rose last week, signaling a potential hiccup in demand. On Tuesday, oil prices settled slightly lower after a choppy trading session that saw investors weigh recessionary concerns with news that some oil exports had been suspended on the Russia-to-Europe Druzhba pipeline that transits Ukraine.

ECONOMIC INDICATORS

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

3 Months	28.43
6 Months	28.97
12 Months	29.15

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

2 Year	-
3 Year	28.00
4 Year	-
5 Year	-
6 Year	26.00
7 Year	-
8 Year	-

*No firm rates in the market.

LIBOR

	USD	EUR	JPY	GBP
1 Month	2.38	(0.03)	(0.04)	1.72
3 Months	2.92	0.30	(0.01)	2.10
6 Months	3.55	0.73	0.04	2.65
12 Months	3.99	1.11	(0.01)	2.96

AWPLR %

Week ending 05/08	23.78
Week ago	24.94
Year ago	5.72

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

TREASURY DIVISION

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