

## TREASURY COMMENTARY – 17 August 2022

### LOCAL MARKET

#### **MONEY**

Overnight call-money traded at 15.50 % on Tuesday (16.08.2022). Net market liquidity with the Central Bank was a deficit of Rs 449.51 Bn on Tuesday from a deficit of Rs 468.70 Bn on Monday. (15.08.2022).

#### **USD/LKR MARKET VOLUMES**

VOLUME (USD Mn)  
AS AT 16.08.2022

Cash	3.47
Tom	1.00
Spot	2.00
Forward	0.50

### INTERNATIONAL MARKET

#### **FOREX**

Major currencies were holding steady in Asian trading on Wednesday, ahead of another day when central bank policy takes center stage for traders with a Reserve Bank of New Zealand meeting and the Federal Reserve's minutes from its recent meeting both due.

The dollar index, which tracks the greenback against six main peers, was at 106.46 in morning trade, having ended Tuesday largely unchanged. The index has recovered most of the ground it lost last week after cooler-than-expected U.S. inflation but remains well off its mid July top of 109.29. The EUR was steady at \$1.0169 after squeezing out small gains overnight, and Sterling was last fetching \$1.2106. The Japanese yen was at 134.1 in early Asia. The currency has been a major beneficiary of the softer dollar and firmed to as much as 131.7 per dollar last week, but has since given back some of those gains.

The New Zealand dollar was steady at \$0.6344 ahead of its central bank meeting, while the Australian dollar sank to a one-week low of \$0.6988 and was last 0.43% weaker at \$0.6993 after data showed growth in wages last quarter lagging economists' forecasts. The Reserve Bank of New Zealand is expected to stick to its hawkish stance and deliver a fourth straight half-point rate increase, according to a Reuters poll, which would mark its most aggressive tightening in over two decades to try to rein in stubbornly-high inflation. With markets so confident that the RBNZ will hike by 50 basis points and continue with its hawkish rhetoric, any divergence from that would likely lead to volatility. In cryptocurrencies, Bitcoin was back hovering around \$24,000, down from a two month high of \$25,200 hit Monday.

#### **COMMODITIES**

Gold edged lower on Tuesday as the dollar held close to a near three-week high, while investors awaited direction on interest rate hikes from minutes of the U.S. Federal Reserve's last meeting. Oil prices rose on Wednesday, recovering from six-month lows hit the previous day, as a larger-than-expected drop in U.S. oil and gasoline stocks reminded investors that demand remains firm, if overshadowed by the prospect of a global recession.

## ECONOMIC INDICATORS

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

<b>3 Months</b>	28.43
<b>6 Months</b>	28.97
<b>12 Months</b>	29.15

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

<b>2 Year</b>	22.00
<b>3 Year</b>	28.00
<b>4 Year</b>	-
<b>5 Year</b>	-
<b>6 Year</b>	-
<b>7 Year</b>	27.00
<b>8 Year</b>	-

\*No firm rates in the market.

### LIBOR

	USD	EUR	JPY	GBP
<b>1 Month</b>	2.38	(0.02)	(0.05)	1.74
<b>3 Months</b>	2.96	0.34	(0.01)	2.18
<b>6 Months</b>	3.51	0.75	0.04	2.75
<b>12 Months</b>	3.95	1.16	0.10	3.17

### AWPLR %

<b>Week ending 12/08</b>	25.31
<b>Week ago</b>	23.78
<b>Year ago</b>	5.71

### AWDR %

<b>July 2022</b>	9.56
<b>June 2022</b>	8.41
<b>Year ago</b>	4.77

### INFLATION (%)

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

### TREASURY DIVISION

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