

TREASURY COMMENTARY – 22 September 2022

LOCAL MARKET

MONEY

Overnight call-money traded at 15.50 % on Wednesday (21.09.2022). Net market liquidity was a deficit of Rs 394.04 Bn on Wednesday from a deficit of Rs 413.07 Bn on Tuesday. (20.09.2022)

FIXED INCOME SECURITIES

At the Treasury Bill auction held on 21st September 2022, maturities of 91-day, 182-day and 364-day settled at the weighted average rates of 31.95 percent, 30.63 percent and 29.87 percent respectively

USD/LKR MARKET VOLUMES

VOLUME (USD Mn)
AS AT 21.09.2022

Cash	1.24
Tom	-
Spot	2.00
Forward	3.50

INTERNATIONAL MARKET

FOREX

The U.S. dollar pushed to a fresh two-decade high versus major peers in Asian trading on Thursday, propelled by the Federal Reserve's hawkish outlook for interest rates and Russian President Vladimir Putin's mobilization of more troops for the war in Ukraine.

The dollar index, which measures the currency against a basket of six counterparts including the euro and sterling, rose as high as 111.65 for the first time since June 2002.

The Fed issued new projections showing rates peaking at 4.6% next year with no cuts until 2024 after raising its target interest rate range by another 75 basis points overnight to 3.00%-3.25%, as was widely expected.

The two-year U.S. Treasury yield reached a fresh 15-year high of 4.132% in Tokyo trading.

The euro weakened to a new 20-year trough of \$0.9807, before trading 0.23% down on Wednesday at \$0.9812.

The dollar rose 0.23% to 144.44 yen, edging back toward the psychological 145 mark where it was rebuffed two times this month. It hit a 24-year high of 144.99 on Sept. 7.

The Bank of England also announces policy on Thursday, with markets split on whether a 50 or 75 basis point hike is in the offing.

Sterling fell to a fresh 37-year low of \$1.1225, and last changed hands at \$1.1233, a 0.3% decline from the previous session.

The Aussie declined 0.63% to \$0.65915 after having touched \$0.65895, its lowest since May 2020. Liquidity in the currency may be thin with Australia observing a public holiday.

COMMODITIES

Gold prices fell 1% on Thursday, as the dollar rose sharply after the U.S. Federal Reserve increased interest rates by another 75 basis points and flagged more hikes. Oil prices edged lower in early Asian trade on Thursday after the U.S. Federal Reserve raised interest rates significantly to curb inflation, with fears for the global economy casting a shadow over future fuel demand.

ECONOMIC INDICATORS

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

3 Months	31.95
6 Months	30.63
12 Months	29.87

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

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

*No firm rates in the market.

LIBOR

	USD	EUR	JPY	GBP
1 Month	3.06	0.70	(0.05)	2.36
3 Months	3.60	1.10	(0.02)	2.88
6 Months	4.12	1.74	0.05	3.66
12 Months	4.68	2.34	(0.10)	4.45

AWPLR %

Week ending 16/09	25.51
Week ago	26.27
Year ago	6.40

AWDR %

Aug 2022	10.49
July 2022	9.56
Year ago	4.75

INFLATION (%)

	June 2022	July 2022	August 2022	Year ago
NCPI (YoY)	58.9	66.7	70.2	6.7
CCPI(YoY)	54.6	60.8	64.3	6.0
(12MW.Av)	18.4	23.1	28.0	4.3

TREASURY DIVISION

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