

TREASURY COMMENTARY – 23 September 2022

LOCAL MARKET

MONEY

Overnight call-money traded at 15.50 % on Thursday (22.09.2022). Net market liquidity was a deficit of Rs 395.11 Bn on Thursday from a deficit of Rs 394.04 Bn on Wednesday. (21.09.2022)

USD/LKR MARKET VOLUMES

VOLUME (USD Mn)
AS AT 22.09.2022

Cash	26.65
Tom	-
Spot	2.00
Forward	24.95

INTERNATIONAL MARKET

FOREX

The yen was on track for its first weekly gain in more than a month in Asian Trading on Friday after Japanese authorities intervened in foreign exchange markets for the first time since 1998, while a towering dollar kept other currencies pinned near multi-year lows.

The yen was up about 0.1% to 142.24 per dollar in early Asian trade, though trading was thin with Japan on a public holiday. The yen rallied more than 1% and hit a session-low of 140.31 on Thursday, on news Japan had bought yen to defend its battered currency. The move, which occurred in late Asia hours, came after the Bank of Japan stuck with its ultra-low interest rates, which saw the yen falling to a new 24-year low and sliding past 145 per dollar in the aftermath.

Meanwhile, sterling gained 0.05% to \$1.12645, but remained not far off its fresh 37-year low of \$1.1213 hit in the previous session and little helped by a 50 basis point rate hike by the Bank of England overnight. The euro, Aussie and kiwi were likewise languishing near fresh lows on Friday in the face of a surging greenback, which has received a boost from a very hawkish Federal Reserve and rising Treasury yields that kept the dollar in demand. The benchmark 10-year Treasury yields hit an 11-year high of 3.718% overnight, while two-year yields remained well above 4% and last stood at 4.1223%. The U.S. dollar index firmed to 111.27, hovering near a two-decade high of 111.81 hit in the previous session, and is on track for a weekly gain of 1.5%. The Euro was marginally up by 0.02% to \$0.9836, having fallen to a new 20-year trough of \$0.9807 overnight. The Aussie AUD gained 0.11% to \$0.6649, while the kiwi was 0.05% higher at \$0.5849, both nursing losses after falling to their lowest levels since 2020 in the previous session.

COMMODITIES

Gold prices were flat on Friday as the dollar held close to its recent peak while the likelihood of more aggressive interest rate hikes by the U.S. Federal Reserve also weighed on the appeal for non-yielding bullion. Oil prices rose in early Asian trade on Friday on the prospect that a stalled Iran nuclear agreement and Moscow's new mobilization campaign in its invasion of Ukraine would further restrict global supplies.

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	28.75
4 Year	-
5 Year	-
6 Year	-
7 Year	-
8 Year	-

*No firm rates in the market.

LIBOR

	USD	EUR	JPY	GBP
1 Month	3.08	0.71	(0.05)	2.38
3 Months	3.64	1.12	(0.02)	2.91
6 Months	4.18	1.77	0.05	3.68
12 Months	4.80	2.42	0.03	4.60

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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