

TREASURY COMMENTARY – 30 September 2022

LOCAL MARKET

MONEY

Overnight call-money traded at 15.50 % on Thursday (29.09.2022). Net market liquidity was a deficit of Rs 414.35 Bn on Thursday from a deficit of Rs 419.44 Bn on Wednesday. (28.09.2022)

FIXED INCOME SECURITIES

At the Treasury bond auction held on 29th September 2022, maturities of 01.07.2025 , 15.01.28 and 01.07.2032 were sold at 30.95 percent, 31.50 percent and 30.09 percent respectively.

USD/LKR MARKET VOLUMES

VOLUME (USD Mn)
AS AT 29.09.2022

| | |
|---------|-------|
| Cash | 8.39 |
| Tom | 2.00 |
| Spot | - |
| Forward | 11.30 |

INTERNATIONAL MARKET

FOREX

Sterling rose to a fresh one-week high in Asian trading on Friday, helping to push the U.S. dollar index to a one-week low, as British policymakers moved to undo some of the damage caused by last week's tax-slashing, debt-swelling fiscal plan. That puts the UK currency on course for its best week in 2 1/2 years.

The euro also jumped to a one-week peak after a heated German inflation reading reinforced expectations for more aggressive policy action from the European Central Bank (ECB). The euro was slightly higher on Friday at \$0.9821, and earlier rose to 0.9844, the strongest level in a week.

The British pound touched \$1.1222 early in the Asian session, taking it very close to erasing all of the precipitous losses in the aftermath of the new government's so-called mini budget last Friday. It was last up 0.41% at \$1.11645, bringing its gain for the week to 2.87%, despite plumbing a record low of \$1.0327 on Monday.

The dollar index, which measures the greenback against the euro, sterling and four other major peers, edged 0.09% higher to 111.91, but remained close to a one-week low of 111.64 reached overnight.

The dollar appreciated 0.14% to 144.65 yen, but is mostly tracking sideways below the psychological 145 line since Japanese officials stepped in to conduct their first yen buying intervention since 1998 last week, when the dollar popped to a fresh 24-year peak at 145.90 yen.

Elsewhere, the dollar jumped 0.38% to 7.1247 yuan in the offshore market, putting it on track for both its best week and month since April. The Aussie slipped 0.08% to \$0.6495, and New Zealand's kiwi weakened 0.12% to \$0.5721, also leaving both on course for their worst monthly performances since April.

COMMODITIES

Gold prices edged higher on Friday, supported by a pullback in the U.S. dollar, but the Federal Reserve's commitment to stay on an aggressive rate-hike path kept the metal on track for its sixth straight monthly decline. Oil prices were little changed in early trade on Friday but headed for their first weekly gain in five weeks, underpinned by a weaker U.S. dollar and the possibility that OPEC+ may agree to cut crude output when it meets on Oct. 5.

ECONOMIC INDICATORS

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

| | |
|------------------|-------|
| 3 Months | 31.94 |
| 6 Months | 30.59 |
| 12 Months | 29.85 |

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

| | |
|---------------|-------|
| 2 Year | - |
| 3 Year | 31.00 |
| 4 Year | - |
| 5 Year | - |
| 6 Year | - |
| 7 Year | - |
| 8 Year | - |

*No firm rates in the market.

LIBOR

| | USD | EUR | JPY | GBP |
|------------------|------|------|--------|------|
| 1 Month | 3.13 | 0.69 | (0.05) | 2.49 |
| 3 Months | 3.74 | 1.19 | (0.02) | 3.60 |
| 6 Months | 4.21 | 1.86 | 0.04 | 4.68 |
| 12 Months | 4.79 | 2.62 | 0.01 | 5.65 |

AWPLR %

| | |
|--------------------------|-------|
| Week ending 23/09 | 26.89 |
| Week ago | 25.51 |
| Year ago | 6.46 |

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 |

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