

TREASURY COMMENTARY – 09th December 2022

DOMESTIC MARKET

USD/LKR

CBSL announced interbank spot middle rate at 363.18, while the interbank market remained inactive with most banks using internal flows to manage client trades.

USD/LKR Market Volume (USD Mn) on 08.12.2022

Cash	11.75
Tom	-
Spot	2.00
Forward	9.25

MONEY

Overnight call-money traded at 15.50 % on Thursday (08.12.2022). Net market liquidity was a deficit of Rs 261.03 Bn on Thursday from a deficit of Rs 242.59 Bn on Tuesday.

FOREIGN MARKET

FOREX

The dollar eased in Asian trading on Friday as worries over a slowdown in the United States mounted, with traders on guard ahead of a slew of central bank meetings next week, where the Federal Reserve takes center stage. Against the greenback, the euro EUR rose nearly 0.5% overnight and edged toward a six-month peak hit at the start of the week. It was last 0.23% higher at \$1.0579, and is on track for a third straight week of gains.

Sterling GBP similarly eked out a small gain overnight and last rose 0.23% to \$1.2269, not far off Monday's six-month high of \$1.2345. The Japanese yen gained more than 0.4% to 136.04 per dollar. The number of Americans filing new claims for jobless benefits increased moderately last week, data showed on Thursday, with the so-called continuing claims rising to a 10-month high in late November, adding to fears that the world's largest economy may enter a recession next year.

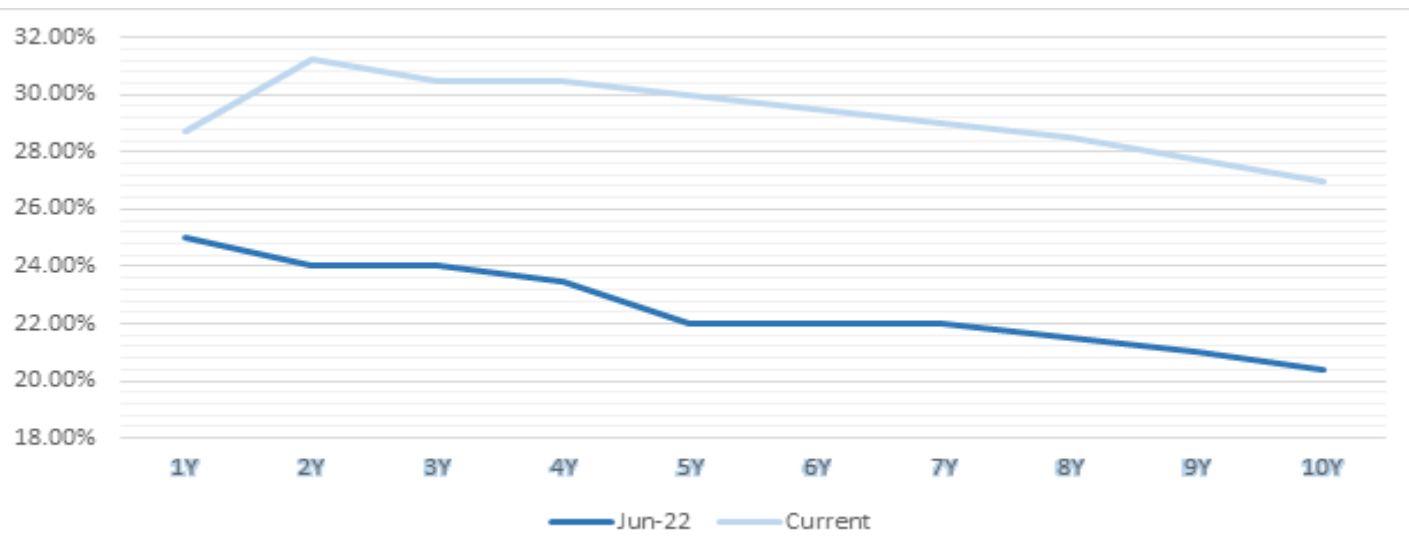
Expectations that the Fed will scale back on the pace of its interest rate hikes and that rates may not rise as high as previously feared, have knocked the dollar =USD more than 8% off its two-decade peak against a basket of currencies hit in September. Yields on U.S. Treasuries have also slumped, with the two-year yield which typically reflects interest rate expectations,

COMMODITIES

Gold prices were flat on Friday, with cautious investors focusing on key U.S. inflation data and Federal Reserve's rate hike decision due next week. Oil prices bounced on Friday as closure of a major Canada-to-U.S. crude pipeline disrupted supplies, but prices remained near December 2021 lows on concerns over slowing global demand growth.

ECONOMIC INDICATORS

Bond Curve



AWPLR %
Week ending 02/12 27.89
Week ago 29.67
Year ago 8.00

AWDR %
Nov 2022 13.37
Oct 2022 12.60
Year ago 4.82

T BILL%
3M 32.91
6M 32.27
1Y 29.33

INFLATION (%)

	September 2022	October 2022	November 2022	Year ago
NCPI (YoY)	73.7	70.6	-	8.3
NCPI (core)	64.1	62.4	-	7.2
NCPI (12m ave)	36.9	42.2	-	5.7
CCPI(YoY)	69.8	66.0	61.0	9.9
CCPI (core)	50.2	49.7	49.4	7.0
CCPI (12m ave)	33.4	38.3	42.6	5.3

CBSL reserves	2543.05 Bn	LIBOR	USD	EUR	JPY	GBP
CBSL T-bill stock	3.979 Tn	1M	4.27	1.55	(0.06)	3.39
Market liquidity	(261.03) Bn	3M	4.74	1.98	(0.05)	3.73
Foreign holding LKR bills/bonds	24.90 Bn	6M	5.16	2.44	0.04	4.26
		1Y	5.50	2.86	0.10	4.65

TREASURY DIVISION

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(Sources: Reuters, Bloomberg)