

TREASURY COMMENTARY – 13 MAY 2022

LOCAL MARKET

MONEY

Overnight call-money traded at 14.50 % on Thursday (12.05.2022). Net market liquidity with the Central Bank was a deficit of Rs 561.50 Bn on Thursday from a deficit of Rs. 567.72 Bn on Wednesday (11.05.2022).

FIXED INCOME SECURITIES

At the Treasury bond auction held on 12th May 2022, maturities of 01.06.2025 and 01.05.2027 were sold at 23.53 percent and 22.69 percent respectively.

USD/LKR MARKET VOLUMES

VOLUME (USD Mn)
AS AT 12.05.2022

Cash	3.00
Tom	-
Spot	-
Forward	3.00

INTERNATIONAL MARKET

FOREX

The yen held most of its overnight gains in Asian trading on Friday, after falling U.S. yields and market jitters propped up the Japanese currency while another Wall Street selloff drove flight-so-safety bid to dollar, which remains near 20-year high peaks. The yen was at 129.14 per dollar on Friday morning, softening on the day after it had reached a two-week peak of 127.5 overnight. Thursday's 1.2% decline for dollar/yen was its biggest daily percentage fall this year. The euro/yen cross declined 2.5%, its biggest daily percentage fall since 2016 as the common currency a victim of the "risk off" mood.

The benchmark U.S. 10-year yield was 2.8822% having declined each session this week from Monday's high of 3.203%. Rising U.S. yields at a time when the Bank of Japan was intervening to keep Japanese benchmark yields pinned down caused the yen to soften this year.

Investors are continuing to move towards safe-haven assets fearing central bank rate hikes to constrain inflation could hit global economic growth while MSCI's gauge of stocks around the world. After the Fed raised its benchmark overnight interest rate by 50 basis points last week, the largest hike in 22 years, investors are assessing how aggressive the central bank policy path will be. Expectations are completely priced in for another hike of at least 50 basis points at the central bank's June meeting, according to CME's FedWatch Tool.

The euro was at \$1.038 approaching its 2017 low of \$1.034. A break past that would be its lowest in nearly 20 years. The weak euro kept the dollar index at 104.75, just off its overnight 20-year peak of 104.92. Sterling hunkered down at \$1.2206, and the Aussie dollar was also bruised at \$0.6887.

COMMODITIES

Gold prices on Friday were held near a three-month low as the strongest dollar in two decades continued to sap demand for greenback-priced bullion, setting up what could be the metal's fourth consecutive weekly fall. Oil prices settled mixed on Thursday as supply concerns and geopolitical tension in Europe got the upper hand over the economic fears dogging financial markets as inflation soars.

ECONOMIC INDICATORS

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

3 Months	24.07
6 Months	24.69
12 Months	24.50

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

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

*No firm rates in the market.

LIBOR

	USD	EUR	JPY	GBP
1 Month	0.87	(0.56)	(0.05)	0.97
3 Months	1.41	(0.41)	(0.01)	1.24
6 Months	1.95	(0.20)	0.03	1.65
12 Months	2.62	0.22	0.10	2.15

AWPLR %

Week ending 06/5	19.55
Week ago	16.38
Year ago	5.74

AWDR %

April 2022	5.52
March 2022	5.17
Year ago	5.07

INFLATION (%)

	February 2022	March 2022	April 2022	Year ago
NCPI (YoY)	17.5	21.5	-	5.1
CCPI(YoY)	15.1	18.7	29.8	3.9
(12MW.Av)	7.9	9.1	11.3	3.9

TREASURY DIVISION

Level-11

Tel: FX: 2664843-6 (Priyantha/Thayalan/Chaaminda/Chandika/Randheera/Pasan) Fax: 2664854

Interest Rates: 2664850-3 (Priyantha / Thayalan/Vajira/Mewan/Sanka)

E-mail: forex@hnb.lk Fitch Rating: AA-(Ika.)