

# Weekly Treasury Market Report

25<sup>th</sup> January, 2021

18<sup>th</sup> Jan – 22<sup>nd</sup> Jan 2021

## LOCAL MARKET

The rupee continued to weaken amidst heavy demand for the US currency from importers and investors while exporters remained in the sidelines. The currency pair closed at 198.50 after trading in a range of 196.50 – 199.50 as it continued to be volatile due to illiquid market conditions. Central Bank intervened throughout the week on a limited scale to stem the excess volatility.

The increased demand in the forward market by importers has added pressure on the exchange rates since December and expected to continue in the medium term unless the markets see tangible inflows. The rupee has depreciated by 5.1% against the dollar in 2021 and the gross official reserves is estimated to be around Usd 5.665 bln.

Usd/Lkr premiums remained unchanged at 0.1, 0.20, 0.30 and 0.40 for 1, 3, 6 and 12 months respectively.

Excess liquidity in money markets have fallen sharply over the past week three weeks, as monetary policy tightened with forex outflows. Market liquidity dropped to Lkr 166 bln on Thursday from a high of Lkr 222 bln a week ago. Interbank call money rates remained steady, trading in a range of 4.53% - 4.55%

## INTERNATIONAL MARKET



It's a busy week ahead for the markets. 4th quarter US GDP figures, the FED, U.S politics, COVID-19 news, and corporate earnings will be in focus in the week. The FOMC monetary policy decision is due on Wednesday and widely expected to remain unchanged, following FED Chair Powell's assurances that no rate hikes or tapering of bond purchases last week. In the Eurozone, January IFO Business Climate figures for Germany are due out later this afternoon. Following ECB President Lagarde's cautious outlook on the economic recovery and some disappointing PMI numbers, we can expect sensitivity to today's stats.

On the monetary policy front, ECB President Lagarde could also move the dial with a scheduled speech later today.

Away from the economic calendar, however, COVID-19 news will remain a key driver. Vaccination supply, low vaccination rates, and rising new COVID-19 case remain downside risks for the economy. Euro was down by 0.01% to \$1.2170 at the start of trading on Monday. On the Sterling, there are no material stats to provide the Pound with direction. The lack of stats should leave the Pound in the hands of COVID-19 news updates. A marked pickup in vaccination rates should support the Pound at the start of the week and currently trading at 1.3692 up by 0.04% since Friday.

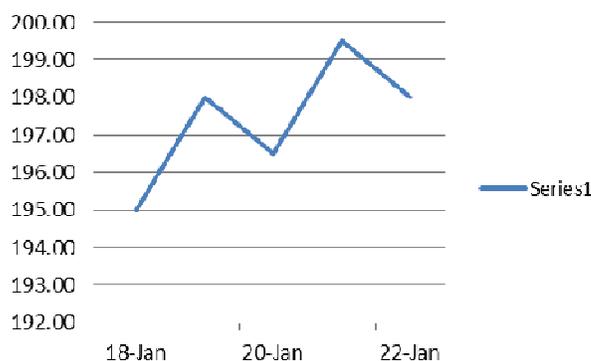
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## Primary Market Treasury Bills

Week Ending 22<sup>nd</sup> Jan 2021

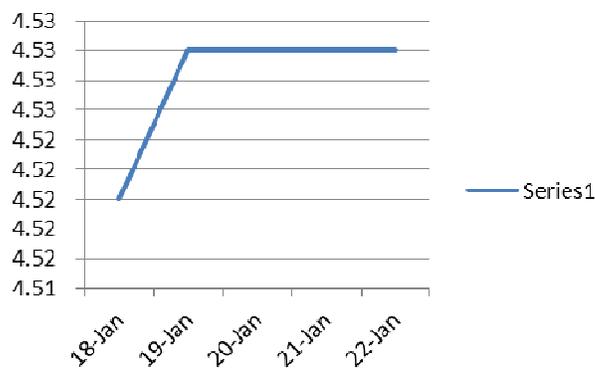
	W/avg.	Previous	Change	
3 m	4.70%	4.70%	- 0.00%	
6 m	4.77%	4.78%	- 0.01%	
12m	4.99%	5.02%	- 0.03%	*R - Rejected

## USD/LKR Spot Rate



## Inter bank overnight rates

%



As at 22<sup>nd</sup> Jan, 2021

USD LIBOR	LKR AWPL Rates
1 mth 0.12%	5.76%
3 mths 0.21%	
6 mths 0.23%	
12mths 0.31%	

## Foreign Exchange Rates

	Friday Closing
	New York
EUR/USD	1.2167
USD/JPY	103.77
AUD/USD	.7716
GBP/USD	1.3684

