

Daily Market Watch

26th October 2021



Commercial Bank of Ceylon PLC – Treasury Department, No: 21, Sir Razik Fared Mawatha, Colombo 01.

Forex/Corporate & Retail Sales Desk – Tivanka/Kasun/Surith/Kishan/Jithendra/Charith/Suranga /Anushke (2486336/340/338/337/322/321/323/354)

Inter Bank Desk –Sohan / Thushini(2486337/349/333)

Structured Products Desk – Jithendra / Anushke (2486322/354)

ALM Desk – Nilmanie /Charith/Nath(2486339 / 321)

FINANCIAL MARKET UPDATE IN BRIEF

Sri Lanka stock index continued its record-breaking streak and touched a fresh all-time high on Monday as it crossed 10,000 psychological benchmarks on earning hopes in export-related. The Colombo benchmark All Share Price Index (ASPI) closed 1.33 percent or 131.58 points higher to close at a new all-time high of 10,046.80. The index touched an intraday peak of 10,075.95 in the last hour of the trading. The S&P SL20 index of more liquid stocks gained 1.30 percent of 46.89 points to close at 3,652.61. Sri Lankan Rupee remains in the range of 197.20/203.00 levels to the U.S. Dollar on Tuesday morning.

Indicative market levels as at 26/10/2021

	Buying	Selling
USD	197.00	203.00
EUR	226.85	237.35
GBP	269.45	281.16
JPY	1.7200	1.7939
SGD	145.38	151.75
AUD	145.93	154.13

Traded USD Volumes as at 25/10/2021 (USD Mn)

Cash	08.50
Tom	00.00
Spot	00.25
Fwd	08.50

MONEY MARKET AT A GLANCE

	LKR Bn
As of 25/10/2021	
Overnight Market Liquidity	(142.680)
Term Liquidity	(30.500)
Overall Market Liquidity	(173.180)
Net of Overnight SDF and SLF	(159.390)
Net of Overnight Repo/(Rev Repo)	16.710
Overnight Liquidity Support Facility	-
Net of Term Repo / (Rev Repo)	(30.500)
Term Liquidity Support Facility	-
Overnight Call Money Rates	5.90% - 5.95%
Overnight Repurchase Rates	5.90% - 5.95%

TREASURY BILL/BOND MARKET

The G-Sec market traded with a volume of 170 Mn on 25/10/2021. Indicative T-bond rates closing levels were as follows.

01/10/2022	08.25% - 08.75%
15/03/2023	08.75% - 09.25%
15/09/2024	09.50% - 10.00%
15/01/2026	10.60% - 11.20%
15/10/2027	11.25% - 11.75%

LKR Bn	Foreign Holding 01.01.2021	Foreign Holding 22.10.2021	Net Flow (YTD)
T-Bills & T-Bonds	06.87	01.86	(5.01)

Treasury Bill Market (Weighted average rates)

	This Week 18.10.2021	Last Week 13.10.2021
91 days	8.39%	8.04%
182 days	8.16%	-
364 days	8.17%	-

ECONOMIC INDICATORS

AWPLR as at 22/10/2021	7.23%
Inflation (Annual Avg.Sept2021-CCPI)	4.50%
Inflation (Y o Y -Sept 2021 - CCPI)	5.70%
Inflation (Y o Y -Sept 2021 -NCPI)	6.20%
Gross Reserves (Sept- 2021)	US\$ 2.5813Bn
GDP growth rate - Q2 - 2021	12.30%
Unemployment Rate - 4Q 2020	5.50%
Per Capita GDP-2020	US\$ 3,682
Statutory Reserve Ratio (SRR)	4.00%
Trade Balance(Jan- Aug 2021)	(US\$ 5.509 Bn)
Balance of Payment (Jan - Aug 2021)	(US\$ 2.423 Bn)

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INTERNATIONAL MARKETS

The US Dollar has bounced off recent lows and was firm in choppy trade on Tuesday ahead of a handful of data releases and central bank meetings which investors expect to guide the rates outlook. The greenback trades near 94.00, tracking higher US 10-year benchmark Treasury yields. Investors cheer the positive talks between China's Vice Premier Liu He and US Treasury Secretary Janet Yellen, as they discussed bilateral relations and macroeconomic situation. In addition to that, Investors are bracing up for Fed's tapering and a delayed rate hike expectation. According to analysts at Westpac, the US Dollar looks to be finding its feet in the mid-93s as focus turns to the ECB's meeting as well as U.S. growth data due on Wednesday.

The Euro remains subdued in the Asian session on Tuesday. The pair continues to move in a narrow trade band of 1.1600 and 1.1670 for the past week. The EUR/USD is currently trading at 1.1604, down 0.06% for the day. The shared currency remained under pressure owing to a number of factors. The European Central Bank (ECB) Governor Council member and Spanish central bank chief Pablo Hernandez de Cos remained concerned about the economic recovery pace due to supply-chain issues and rising raw material prices. Furthermore, the five-year forward inflation swap, a key market gauge of Eurozone inflation, jumped 10-basis points to 2.0528%, the highest since 2014 and above the ECB's inflation target of 2%. Traders assessed the reading could alter the current dovish EBC's stance in the monetary policy meeting due on Thursday.

The Sterling Pound stays defensive around 1.3760 heading into Tuesday's London open. In doing so, the Cable pair fades the previous day's positive performance, the first in three, amid a cautious mood ahead of the key Brexit talks in the UK. UK Brexit Minister David Frost conveyed his dissatisfaction from the latest Brexit talks and the European Union's (EU) fresh proposal to overcome the Northern Ireland (NI) border issues to a parliamentary committee on Monday, per Bloomberg. On the other hand, Sky News reports, "The EU's current proposals to reform the Northern Ireland Protocol 'don't go far enough', the UK's Brexit minister has said, as he set a December deadline for the two sides to find a solution."

The Australian Dollar portrays risk-on mood amid a sluggish Tuesday morning, up 0.10% on a day around the intraday top of 0.7512. While the Sino-American talks of cooperation seem to be the latest catalyst behind the pair's run-up, firmer prints of the US equity indices join firmer commodities to please the quote buyers during the crucial week.

Japanese Yen makes steady moves following the previous session's movement. The pair retreated from the highs of 2018 high near 114.69 on Wednesday, and continued to move in a familiar trading range. Currently, the USD/JPY is trading at 113.90, up 0.02% so far.

(Source: Reuters, Bloomberg)

COMMODITIES

Gold prices eased on Tuesday, weighed down by an uptick in the US Dollar and U.S. bond yields, as investors assessed central banks' likely response to higher inflation ahead of key upcoming policy meetings. However, Spot gold rose 0.58% to \$1,803.51 per ounce compared to Monday morning.

Oil prices edged higher on Tuesday after trading down earlier, looking set to sustain a rally driven by strong demand in the United States, the world's biggest consumer of oil and its products. Brent crude was up \$1.88 or 2.2% at \$86.12 a barrel compared to yesterday.

MARKET INFORMATION AS AT 26/10/2021

Currency Pair	Cross Rate	Resistance	Support
EUR/USD	1.1603/04	1.1650	1.1600
USD/JPY	113.93/94	114.25	113.75
GBP/USD	1.3760/61	1.3800	1.3750
AUD/USD	0.7513/14	0.7540	0.7500
USD/SGD	1.3463/69	1.3475	1.3400
USD/INR	74.99/00	75.50	74.50

Commodities	Unit	Prices	Previous day Prices
Gold	USD\$ per ounce	1,803.51	1,792.95
Oil (Brent)	USD\$ per Barrel	86.12	84.24
Aluminum HG	USD\$ per MT	2,875.50	2,868.00
Copper	USD\$ per MT	9,867.50	9,704.00
Cotton	Usd¢ /lb	108.60	109.70
Sugar	Usd¢ /lb	19.39	19.08
CBT Wheat	Usd¢ /bu	758.25	757.75
SGX Rubber	USD\$/100 KG	173.50	172.70

LONDON INTER BANK OFFERED-RATES AS OF 25/10/2021

Tenor	USD	EUR	GBP
01 Month	0.0877	-0.5712	0.1252
03 Months	0.1345	-0.5624	0.2055
06 Months	0.1778	-0.5451	0.4088
12 Months	0.3293	-0.4831	0.7145

POLICY RATES

LKR Standing Deposit/Lending Rate	5.00% - 6.00%
USD Fed Funds Rate	0.00%-0.25%
EUR Refinancing Rate	0.00%
GBP Repo Rate	0.10%
AUD Official Cash Rate	0.10%
JPY Official Cash Rate	-0.10% -0.00%

ECONOMIC CALENDAR: 26th October 2021

GMT	Details
13.00	USD Housing Pricing Index