

TREASURY COMMENTARY – 26th May 2023

DOMESTIC MARKET

USD/LKR

The USD/LKR interbank market is active and is trading in the range of 297.00 and 309.00 today. However, the volatility is continuing in the market.

USD/LKR Market Volume (USD Mn) on 25.05.2023

Cash	6.0
Tom	13.0
Spot	26.0
Forward	23.0

MONEY

Overnight call-money traded at 16.49% on Thursday (25.05.2023). Net market liquidity was a deficit of Rs 73.42 Bn on Thursday from a deficit of Rs 116.88 Bn on Wednesday.

FOREIGN MARKET

FOREX

The dollar stood near a two-month high against its major peers in Asian trading on Friday and was headed for a third weekly gain on expectations that U.S. interest rates could remain higher for longer than initially expected.

The greenback was up in early Asia trade and sat at 139.82 yen, having peaked at 140.23 yen in the previous session, its highest since November.

The U.S. dollar index edged 0.05% lower to 104.18, jut off of Thursday's two-month high of 104.31.

The index is up 1% for the week, headed for a third weekly gain, as traders ramped up their expectations of how much further rates could rise in the United States.

The British pound and the euro struggled against the stronger dollar, with sterling edging 0.04% higher to \$1.2326, though still headed for a weekly loss of about 1%.

The euro was little changed at \$1.0724, languishing near a two-month low hit in the previous session.

The Australian dollar slumped to a more than six-month low of \$0.6490, further pressured by China's faltering post-COVID economic recovery.

The kiwi rose 0.11% to \$0.6068, though it was headed for a weekly loss of more than 3%, its largest since September, after the Reserve Bank of New Zealand earlier this week stunned markets by signaling it was done tightening.

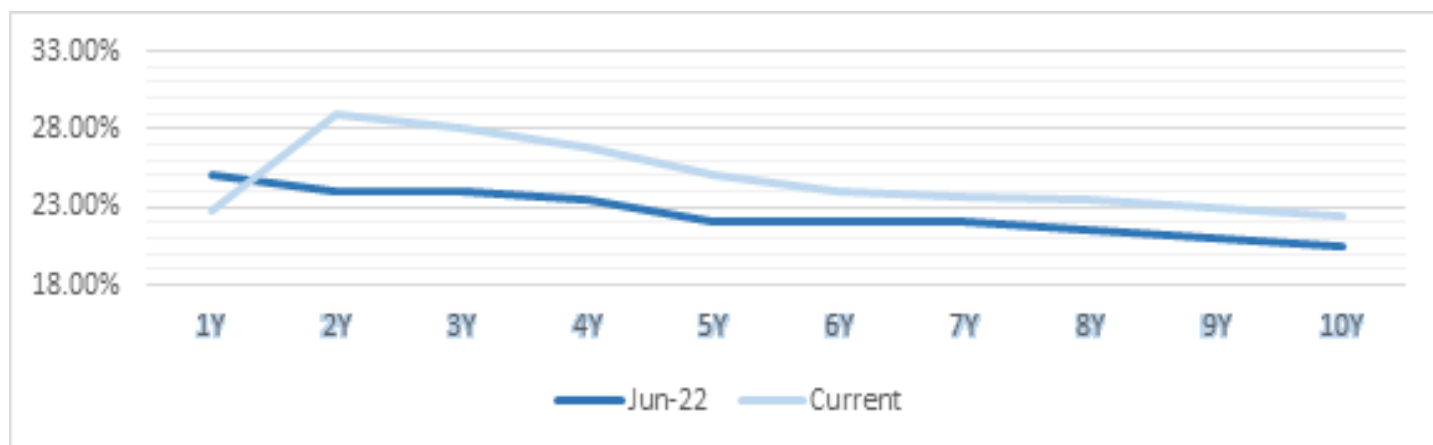
COMMODITIES

Gold prices languished near a two-month low on Friday and were set for their third straight weekly fall, as progress in U.S. deal ceiling negotiations bolstered the dollar.

Oil prices were roughly unchanged in early trading on Friday, as markets awaited clarity on OPEC and its allies' next oil policy moves after conflicting messages made it hard to predict the outcome of the meeting next week.

ECONOMIC INDICATORS

Bond Curve



AWPLR %	
Week ending 19/05	20.34
Week ago	21.32
Year ago	20.32

AWDR %	
April 2023	15.12
March 2023	15.06
Year ago	5.52

T BILL%	
3M	25.66
6M	25.30
1Y	22.97

INFLATION (%) (Base:2021=100)	February 2023	March 2023	April 2023	Year ago
NCPI (YoY)	53.6	49.2	33.6	33.8
NCPI (core)	50.1	44.2	31.8	27.9
CCPI(YoY)	50.6	50.3	35.3	29.8
CCPI (core)	43.6	39.1	27.8	22.0

CBSL reserves (USD) – Apr 23"	2.755 Bn	LIBOR	USD	EUR	JPY	GBP
CBSL T-bill/bond holding	2684.01 Bn	1M	5.16	3.14	0.04	4.80
Market liquidity	(73.42) Bn	3M	5.46	3.42	(0.07)	5.17
Foreign holding LKR bills/bonds	150.52 Bn	6M	5.56	3.74	0.06	5.58
		1Y	5.62	3.93	0.40	5.39

	O/N	1M	3M	6M	12M
USD SOFR	5.0500	5.1358	5.2253	5.2382	5.0025
EUR ESTR	3.1500	3.1920	3.3940	3.5570	3.6270
GBP SONIA	4.4277	4.4755	4.7475	5.0515	5.3201

TREASURY DIVISION

Level-11

Tel: FX: 2664843-6 (Thayalan/Sanka/Chaaminda/Chandike)

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

E-mail: forex@hnb.lk Fax: 2664854 Fitch Rating: A(Ika.)