

## TREASURY COMMENTARY – 18th September 2023

### DOMESTIC MARKET

#### USD/LKR

The USD/LKR interbank market is active and is trading in the range of 317.00 and 327.00 today. However, the volatility is continuing in the market. The rupee has appreciated by approximately 12.25% against the USD during the year up to 18 September 2023.

#### USD/LKR Market Volume (USD Mn) on 15.09.2023

Cash	1.0
Tom	-
Spot	8.0
Forward	2.0

#### MONEY

Overnight call-money traded at 11.45% on Friday (15.09.2023). Net market liquidity was a positive of Rs 147.53 Bn on Friday from a positive of Rs 37.34 Bn on Thursday.

### FOREIGN MARKET

#### FOREX

The U.S. dollar and most major currencies were flatlining in early trades in Asian trading on Monday, barring a blip in sterling, as a Japanese holiday and a bunch of upcoming central bank meetings sucked the air out of markets.

The Bank of Japan's policy meeting on Friday is the highlight of the week in Asia, after Governor Kazuo Ueda stoked speculation of an imminent move away from ultra-loose policy. In a week packed with central bank meetings, decisions are also due from the U.S. Federal Reserve on Wednesday and Bank of England on Thursday.

The yen was flat versus the greenback at 147.82 per dollar with markets in Japan closed for a national holiday. In the week since Ueda's remarks about a early move from negative rates, it has dropped 1.3% and taken losses for 2023 to more than 11%.

The dollar index was a tad lower at 105.23, with the Euro up 0.11% at \$1.0667. Sterling was last trading at \$1.2397, up 0.06% on the day. Most investors expect divergences in economic growth and in yields will keep the dollar propped up, particularly against the euro. Sterling has slid nearly 6% against the dollar since mid-July, while the euro has dropped more than 5% as the UK labour market and economy and the euro zone economy slowed.

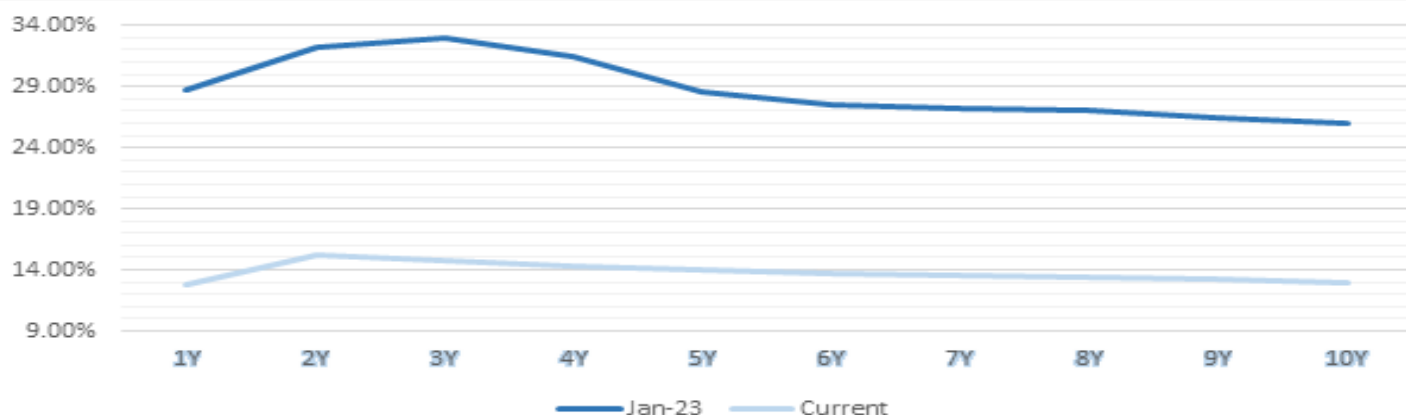
The European Central Bank raised interest rates to 4% last week but said this hike could be its last. The Bank of England is likely to hike interest rates once again this week, and markets are already looking for a pause in a massive tightening cycle that has policymakers worried about the cooling economy.

#### COMMODITIES

Gold prices were flat on Monday as investors continued to price in a pause in interest rate hikes by the Federal Reserve at their policy meeting this week with a focus on the U.S central bank's rate outlook. Oil prices rose to their highest level in 10 months on Friday, after China cut banks' cash reserve requirements to boost its economic recovery, and on expectations that major global interest rate hike cycles were nearing their end.

# ECONOMIC INDICATORS

## Bond Curve



AWPLR %	AWDR %	T BILL%
Week ending 15/09	Aug 2023	3M
15.21	14.15	18.16
Week ago	July 2023	6M
15.14	14.76	15.19
Year ago	Year ago	1Y
25.51	10.49	13.35

INFLATION (%) (Base:2021=100)	June 2023	July 2023	Aug 2023	Year ago
NCPI (YoY)	10.8	4.6	-	66.7
NCPI (core)	11.3	6.3	-	57.3
CCPI(YoY)	12.0	6.3	4.0	64.3
CCPI (core)	9.8	5.9	4.6	46.6

CBSL reserves (USD) – Aug 23"	3,598 Bn
CBSL T-bill/bond holding	2,556.62 Bn
Market liquidity	147.53 Bn
Foreign holding LKR bills/bonds	162.59 Bn

	O/N	1M	3M	6M	12M
USD SOFR	5.3000	5.3270	5.4016	5.4658	5.4214
EUR ESTR	3.6530	3.8200	3.8610	3.9180	3.8690
GBP SONIA	5.1847	5.3559	5.4590	5.5574	5.6195

## TREASURY DIVISION

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