

TREASURY COMMENTARY – 19th September 2023

DOMESTIC MARKET

USD/LKR

The USD/LKR interbank market is active and is trading in the range of 319.00 and 329.00 today. However, the volatility is continuing in the market. The rupee has appreciated by approximately 11.71% against the USD during the year up to 19 September 2023.

USD/LKR Market Volume (USD Mn) on 18.09.2023

Cash	5.31
Tom	-
Spot	9.1
Forward	9.76

MONEY

Overnight call-money traded at 11.43% on Monday (18.09.2023). Net market liquidity was a deficit of Rs 72.39 Bn on Monday from a surplus of Rs 147.53 Bn on Friday.

FOREIGN MARKET

FOREX

The euro clung to gains in Asian trading on Tuesday following hawkish comments from European Central Bank (ECB) policymakers, while the yen languished near a 10-month low ahead of a key rate decision from the Bank of Japan (BOJ) later in the week.

The euro eked out a slight gain to trade at \$1.0695, having risen 0.3% in the previous session as ECB officials suggested further rate increases were on the cards - comments which boosted euro zone government bond yields.

In Asia, the yen slipped marginally to 147.64 per dollar and was kept pinned near last week's 10-month low of 147.95 per dollar. The BOJ is due to announce its rate decision on Friday at the conclusion of its two-day policy meeting, with the central bank coming under close scrutiny after Governor Kazuo Ueda stoked speculation of an imminent move away from ultra-loose policy.

Elsewhere, the U.S. dollar edged broadly lower, though strayed not too far from a six-month peak hit against its major peers last week ahead of the Fed's interest rate decision on Wednesday.

Against the greenback, the Aussie rose 0.12% to \$0.6445, while the New Zealand dollar gained 0.11% to \$0.5924.

The dollar index slipped 0.04% to 105.04.

Sterling edged 0.04% higher to \$1.2390, ahead of an interest rate decision from the Bank of England (BoE) also due this week.

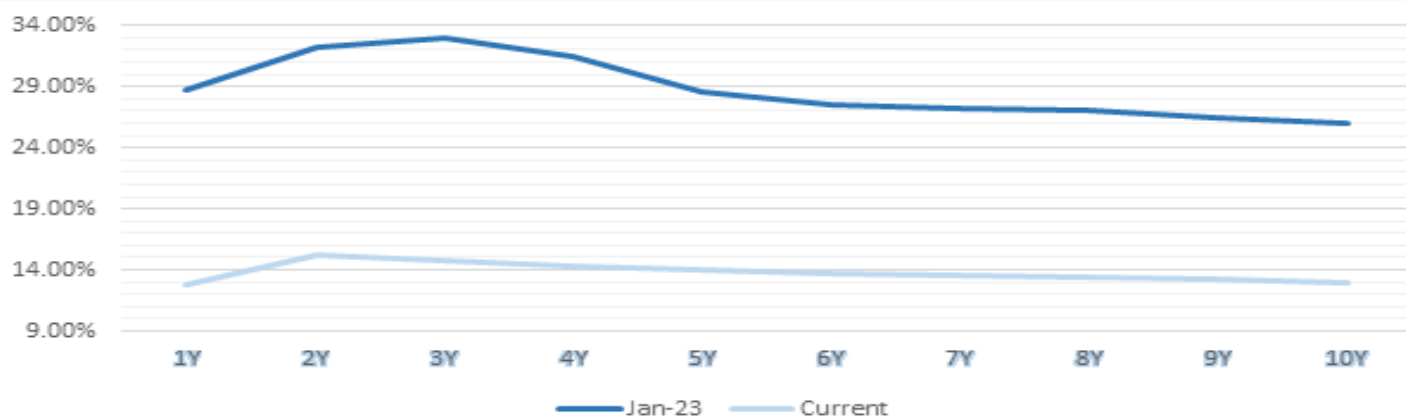
COMMODITIES

Gold prices hit two-week highs on Tuesday, with the U.S. dollar losing its grip on six-month highs scaled last week, with attention focused on the Federal Reserve's two-day policy meeting that begins later in the day.

Oil prices rose in early trade on Tuesday for the fourth consecutive session, as weak shale output in the U.S. spurred further concerns about a supply deficit stemming from extended production cuts by Saudi Arabia and Russia.

ECONOMIC INDICATORS

Bond Curve



AWPLR %		AWDR %		T BILL%	
Week ending 15/09	15.21	Aug 2023	14.15	3M	18.16
Week ago	15.14	July 2023	14.76	6M	15.19
Year ago	25.51	Year ago	10.49	1Y	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	(72.39) Bn
Foreign holding LKR bills/bonds	162.59 Bn

	O/N	1M	3M	6M	12M
USD SOFR	5.3100	5.3248	5.3978	5.4660	5.4429
EUR ESTR	3.8620	3.8930	3.9210	3.9630	3.9050
GBP SONIA	5.1854	5.3751	5.4689	5.5682	5.6453

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