

TREASURY COMMENTARY – 22nd September 2023

DOMESTIC MARKET

USD/LKR

The USD/LKR interbank market is active and is trading in the range of 318.00 and 328.00 today. However, the volatility is continuing in the market. The rupee has appreciated by approximately 12% against the USD during the year up to 22 September 2023.

USD/LKR Market Volume (USD Mn) on 21.09.2023

Cash	18.5
Tom	20.25
Spot	35.75
Forward	64.5

MONEY

Overnight call-money traded at 11.51% on Thursday (21.09.2023). Net market liquidity was a deficit of Rs 44.22 Bn on Thursday from a deficit of Rs 32.35 Bn on Wednesday.

FOREIGN MARKET

FOREX

The yen was held at the mercy of soaring U.S. Treasury yields in Asian trading on Friday ahead of a closely watched rate decision by the Bank of Japan (BOJ), while the dollar stood near a six-month peak on the prospect of higher-for-longer U.S. rates.

The Japanese currency was last marginally lower at 147.6 in early Asia trade, languishing near the previous session's more than 10-month low of 148.465. The U.S. dollar likewise rode Treasury yields higher and against a basket of currencies, the greenback touched a more than six-month high of 105.74 in the previous session. The index was last steady at 105.39.

Against a stronger dollar, the Aussie fell 0.1% to \$0.6410 and was headed for a weekly loss of about 0.3%, reversing some of its gains made last week. The New Zealand dollar similarly slipped 0.06% to \$0.5928, though eyed a weekly gain of close to 0.5%. While the Fed kept interest rates steady this week, it signalled the possibility of another hike this year, with rates to be kept significantly tighter through 2024 than previously expected. The euro dipped 0.07% to \$1.0655, having fallen to a six-month low of \$1.0617 in the previous session.

Sterling was meanwhile 0.02% lower at \$1.2293, having similarly slid to a roughly six-month low of \$1.22305 on Thursday, after the Bank of England (BoE) halted its long run of interest rate increases a day after Britain's fast pace of price growth unexpectedly slowed.

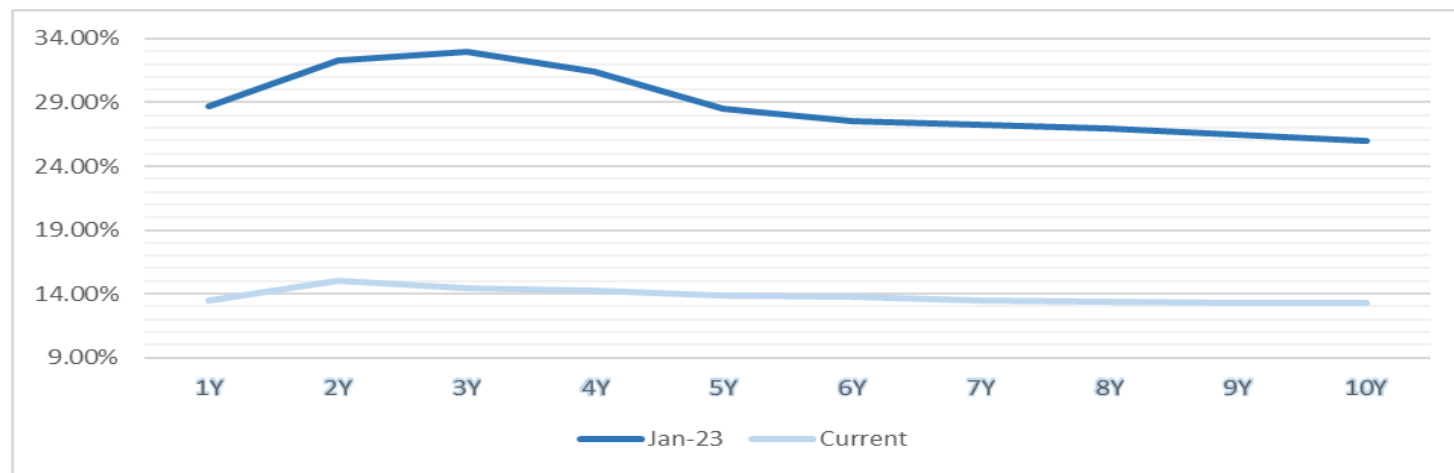
COMMODITIES

Gold edged higher on Friday, although prices lingered near a one-week low touched in the previous session as the U.S. dollar and Treasury yields reaped the returns of the Federal Reserve's hawkish stance on interest rates.

Oil prices rose on Friday as concerns that a Russian ban on fuel exports could tighten global oil supply outweighed fears that further possible U.S. interest rate hikes could dent fuel demand, but they were still headed for a weekly loss in four.

ECONOMIC INDICATORS

Bond Curve



AWPLR %	
Week ending 15/09	15.21
Week ago	15.14
Year ago	25.51

AWDR %	
Aug 2023	14.15
July 2023	14.76
Year ago	10.49

T BILL%	
3M	18.12
6M	15.38
1Y	13.32

INFLATION (%) (Base:2021=100)	June 2023	July 2023	Aug 2023	Year ago
NCPI (YoY)	10.8	4.6	2.1	70.2
NCPI (core)	11.3	6.3	4.1	60.5
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	2,901.35 Bn
Market liquidity	(44.22) Bn
Foreign holding LKR bills/bonds	162.59 Bn

	O/N	1M	3M	6M	12M
USD SOFR	5.3000	5.3197	5.4000	5.4728	5.4659
EUR ESTR	3.9030	3.9050	3.9290	3.9700	3.9230
GBP SONIA	5.1849	5.3265	5.3880	5.4605	5.5060

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