

TREASURY COMMENTARY – 21st November 2023

DOMESTIC MARKET

USD/LKR

The USD/LKR interbank market is active and is trading in the range of 323.00 and 333.00 today. However, the volatility is continuing in the market. The rupee has appreciated by approximately 10.62% against the USD during the year up to 21 November 2023.

USD/LKR Market Volume (USD Mn) on 20.11.2023

Cash	11.15
Tom	10.5
Spot	7.3
Forward	16.5

MONEY

Overnight call-money traded at 10.35% on Monday (20.11.2023). Net market liquidity was a deficit of Rs 84.50 Bn on Monday from a surplus of Rs 108.3 Bn on Friday.

FOREIGN MARKET

FOREX

The dollar was on the defensive and trading by multi-month lows on the euro and a handful of other major currencies in Asian trading on Tuesday, as investors expect U.S. interest rates to fall next year and see that as a signal to sell the dollar in anticipation.

The index, which measures the dollar against a basket of six major currencies, fell 1.9% last week alongside a big rally in U.S. Treasuries, and lost a further 0.5% overnight to 103.44.

The euro touched a three-month high of \$1.0952 on Monday, with a little help from European Central Bank governing member and reliable hawk Pierre Wunsch pushing back against market expectations for rate cuts as soon as April.

The yuan also hit a three-month high on the dollar on Monday as the central bank guided it higher. The Australian and New Zealand dollars had followed suit. In thin offshore trade on Tuesday morning, the yuan held its gains at 7.1640 per dollar.

The Australian dollar was marginally firmer at \$0.6561, just below Monday's three-month high of \$0.6564. The New Zealand dollar was steady at \$0.6040. Even the yen rallied to a seven-week high of 148.1 per dollar overnight and steadied at 148.3 on Tuesday.

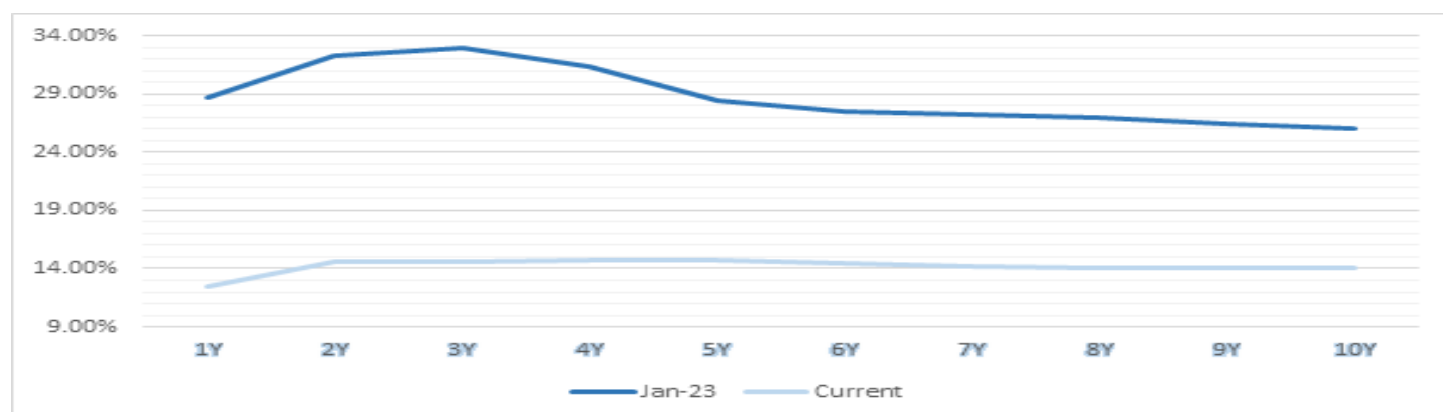
COMMODITIES

Gold prices rose on Tuesday, supported by a weaker U.S. dollar and Treasury yields as investors look forward to minutes from the Federal Reserve's latest meeting for more guidance on its interest rate outlook.

Oil futures eased on Tuesday, reversing the previous day's rally, as concerns over weaker demand amid a slowing global economy outweighed the prospect of deepening supply cuts by OPEC and its allies such as Russia.

ECONOMIC INDICATORS

Bond Curve



AWPLR %		AWDR %		T BILL%	
Week ending 17/11	13.14	Oct 2023	12.75	3M	15.39
Week ago	13.31	Sep 2023	13.39	6M	14.75
Year ago	28.61	Year ago	12.60	1Y	12.96

INFLATION (%) (Base:2021=100)	Aug 2023	Sep 2023	Oct 2023	Year ago
NCPI (YoY)	2.1	0.8	-	73.7
NCPI (core)	4.1	1.7	-	64.1
CCPI(YoY)	4.0	1.3	1.5	66.0
CCPI (core)	4.6	1.9	1.2	49.7

CBSL reserves (USD) – Oct 23"	3,562 Bn
CBSL T-bill/bond holding	2,799.35 Bn
Market liquidity	(84.50) Bn
Foreign holding LKR bills/bonds	137.53 Bn

	O/N	1M	3M	6M	12M
USD SOFR	5.3200	5.3348	5.3715	5.3728	5.2263
EUR ESTR	3.8990	3.9030	3.9120	3.8760	3.6590
GBP SONIA	5.1881	5.1999	5.2290	5.2411	5.1292

TREASURY DIVISION

Level-11

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