

## TREASURY COMMENTARY – 30<sup>th</sup> November 2023

### DOMESTIC MARKET

#### USD/LKR

The USD/LKR interbank market is active and is trading in the range of 322.00 and 332.00 today. However, the volatility is continuing in the market. The rupee has appreciated by approximately 10.89% against the USD during the year up to 30 November 2023.

#### USD/LKR Market Volume (USD Mn) on 29.11.2023

Cash	9.2
Tom	37.0
Spot	44.3
Forward	89.0

#### MONEY

Overnight call-money traded at 9.25% on Wednesday (29.11.2023). Net market liquidity was a deficit of Rs 28.84 Bn on Wednesday from a deficit of Rs 31.07 Bn on Tuesday.

### FOREIGN MARKET

#### FOREX

The dollar was rooted near a three-month low in Asian trading on Thursday and was set to post its steepest monthly decline in a year as investors ramped up bets that the Federal Reserve is done with rate hikes ahead of a crucial inflation report later in the day.

The dollar index, which measures U.S. currency against six rivals, eased 0.058% to 102.74, not far from 102.46 - its lowest since Aug. 10 it touched on Wednesday. The index is down 3.7% in November on growing expectations the Fed will cut interest rates in the first half of 2024.

The kiwi got an extra boost on Wednesday following the central bank's 'hawkish hold' - policymakers kept the key cash rate at a relatively high 5.50%, but unexpectedly signaled that it could be raised again if inflation doesn't moderate. The currency was 0.26% higher at \$0.6172, staying close to the four month peak of \$0.6207 it touched on Wednesday.

Expectations that the Bank of Japan will soon end its negative rate policy has pulled the yen up from the depths, and in the process, eased pressure on the central bank to support the currency via direct FX market intervention. On Thursday, yen strengthened 0.09% to 147.11 per dollar, remaining close to two and half month high of 146.675 per dollar it touched on Wednesday.

Sterling was last at \$1.2695, up 0.01% on the day, while the euro was up 0.06% at \$1.0975. The Australian dollar rose 0.08% to \$0.6623.

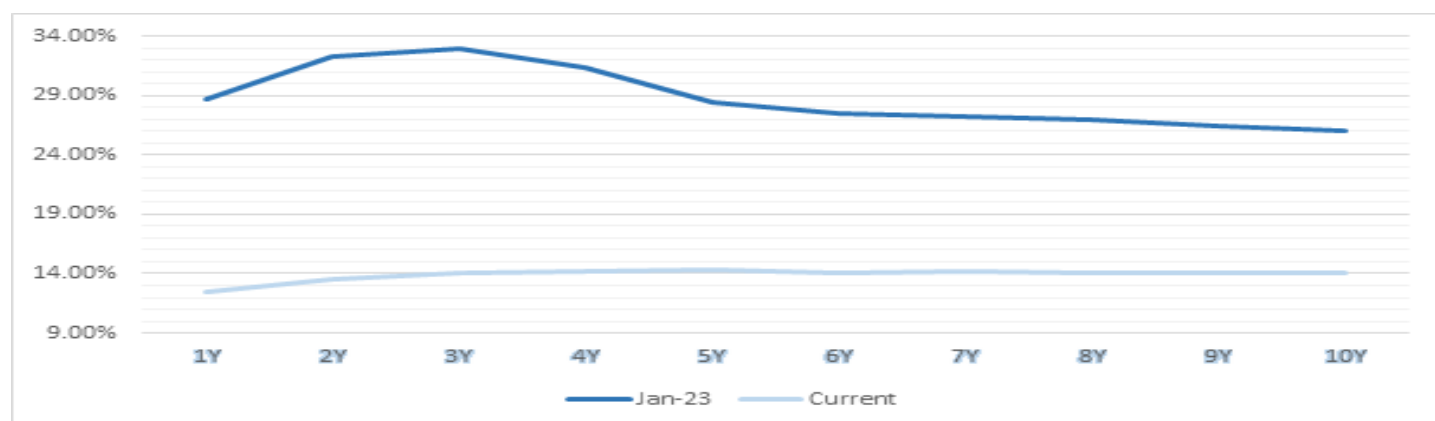
#### COMMODITIES

Gold prices consolidated in a tight range and hovered close to a near seven-month high on Thursday, as investors awaited key inflation print to gauge whether interest rate cuts in the U.S. would come sooner than previously expected.

Oil prices fell in early Asian trade on Thursday on weaker-than-expected Chinese manufacturing data, but investors maintained caution ahead of an OPEC+ meeting where production cuts are expected.

# ECONOMIC INDICATORS

## Bond Curve



AWPLR %		AWDR %		T BILL%	
Week ending 24/11	13.05	Oct 2023	12.75	3M	14.86
Week ago	13.14	Sep 2023	13.39	6M	14.52
Year ago	29.67	Year ago	12.60	1Y	12.89

INFLATION (%) (Base:2021=100)	Aug 2023	Sep 2023	Oct 2023	Year ago
NCPI (YoY)	2.1	0.8	1.0	70.6
NCPI (core)	4.1	1.7	0.6	62.4
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	(28.84) Bn
Foreign holding LKR bills/bonds	130.60 Bn

	O/N	1M	3M	6M	12M
USD SOFR	5.3200	5.3428	5.3770	5.3711	5.2131
EUR ESTR	3.9000	3.9040	3.9160	3.8780	3.6760
GBP SONIA	5.1879	5.2018	5.2334	5.2539	5.1525

## TREASURY DIVISION

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