

## TREASURY COMMENTARY – 1st December 2023

### DOMESTIC MARKET

#### USD/LKR

The USD/LKR interbank market is active and is trading in the range of 323.00 and 332.00 today. However, the volatility is continuing in the market. The rupee has appreciated by approximately 10.76% against the USD during the year up to 01 December 2023.

#### USD/LKR Market Volume (USD Mn) on 30.11.2023

Cash	17.0
Tom	10.5
Spot	25.45
Forward	9.0

#### MONEY

Overnight call-money traded at 9.10% on Thursday (30.11.2023). Net market liquidity was a surplus of Rs 7.01 Bn on Thursday from a deficit of Rs 28.84 Bn on Wednesday.

### FOREIGN MARKET

#### FOREX

The dollar was on the back foot in Asian trading on Friday, while the euro nursed steep losses as traders weighed data that showed inflation was easing, stoking expectations that interest rates had peaked and central banks would soon start cutting rates.

The dollar index, which measures the U.S. currency against six rivals, was 0.145% lower at 103.30, after clocking its weakest monthly performance in a year in November, despite a 0.6% jump overnight. Data on Thursday showed U.S. consumer spending rose moderately in October, while the annual increase in inflation was the smallest in more than 2-1/2 years. Federal Reserve policymakers signaled on Thursday that the U.S. central bank's interest rate hikes are likely over, but left the door open to further monetary policy tightening should progress on inflation stall.

Over in Europe, data on Thursday showed Euro zone inflation tumbled more than expected for a third straight month in November, fueling bets of early spring rate cuts despite the European Central Bank's explicit guidance.

The euro was up 0.13% at \$1.0902, having slipped 0.7% on Thursday after the inflation data. The single currency is down 0.3% for the week. Sterling was last at \$1.2643, up 0.17% on the day.

The Japanese yen strengthened 0.31% to 147.73 per dollar, on course for its third straight week of gains against the dollar, pulling it away from the near 33-year low of 151.92 it touched in the middle of November.

The Australian dollar rose 0.20% to \$0.662, while the New Zealand dollar rose 0.37% to \$0.618.

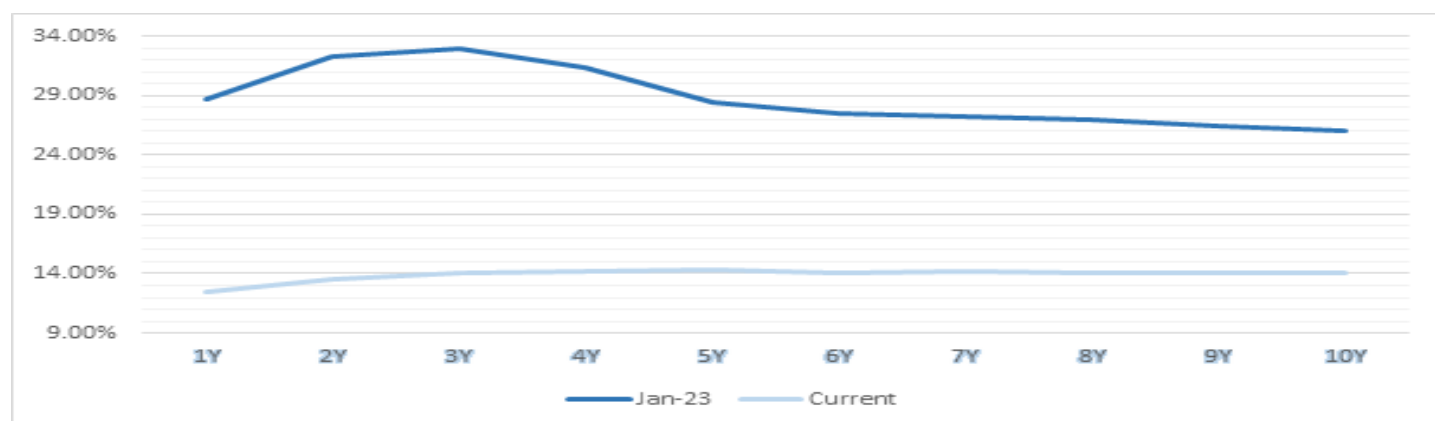
#### COMMODITIES

Gold slipped on Friday but remained on track for a second straight monthly gain as expectations that the Federal Reserve may soon cut interest rates enhanced the appeal of non-yielding bullion.

Oil prices fell in early Asian trade on Friday, extending losses after OPEC+ producers agreed to voluntary oil output cuts for the first quarter next year that fell short of market expectations.

# 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)	Sep 2023	Oct 2023	Nov 2023	Year ago
NCPI (YoY)	0.8	1.0	-	70.6
NCPI (core)	1.7	0.6	-	62.4
CCPI(YoY)	1.3	1.5	3.4	61.0
CCPI (core)	1.9	1.2	0.8	49.4

CBSL reserves (USD) – Oct 23"	3,562 Bn
CBSL T-bill/bond holding	2,799.35 Bn
Market liquidity	7.01 Bn
Foreign holding LKR bills/bonds	130.60 Bn

	O/N	1M	3M	6M	12M
USD SOFR	5.3100	5.3409	5.3693	5.3332	5.1081
EUR ESTR	3.9010	3.9030	3.9130	3.8560	3.6090
GBP SONIA	5.1879	5.2010	5.2335	5.2560	5.1513

## TREASURY DIVISION Level-11

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