

TREASURY COMMENTARY – 25th January 2023

DOMESTIC MARKET

USD/LKR

CBSL announced interbank spot middle rate at 362.16, while the interbank market remained inactive with most banks using internal flows to manage client trades.

USD/LKR Market Volume (USD Mn) on 24.01.2023

Cash	31.2
Tom	-
Spot	-
Forward	30.75

MONEY

Overnight call-money traded at 15.36 % on Tuesday (24.01.2023). Net market liquidity was a surplus of Rs 40.43 Bn on Tuesday from a surplus of Rs 6.73 Bn on Monday.

FOREIGN MARKET

FOREX

The Australian dollar jumped to a more than five-month high in Asian trading on Wednesday after inflation data came in hotter than expected, while the kiwi slipped after New Zealand's fourth-quarter inflation rose less than what its central bank had forecast.

The euro held near a nine-month peak against the dollar, as traders weighed a rosier growth outlook for the euro zone against growing signs of a looming U.S. recession.

The Aussie rose 0.66% to \$0.7092, its highest since August, after a shock surge in inflation to a 33-year high last quarter added to the case for the Reserve Bank of Australia to continue raising interest rates. Meanwhile, the kiwi slid nearly 0.6% to \$0.6469, after New Zealand's annual inflation of 7.2% in the fourth quarter came in below its central bank's 7.5% forecast.

In other currencies, the Euro steadied at \$1.0888, near Monday's nine-month high of \$1.0927, as a surprisingly resilient euro zone economy and hawkish rhetoric from European Central Bank (ECB) policymakers supported the single currency.

In the United States, a gloomier outlook is unfolding as signs of an economic slowdown, a result of the Federal Reserve's aggressive rate hikes last year, are starting to show. U.S. business activity contracted for the seventh straight month in January, though the downturn moderated across both the manufacturing and services sectors for the first time since September.

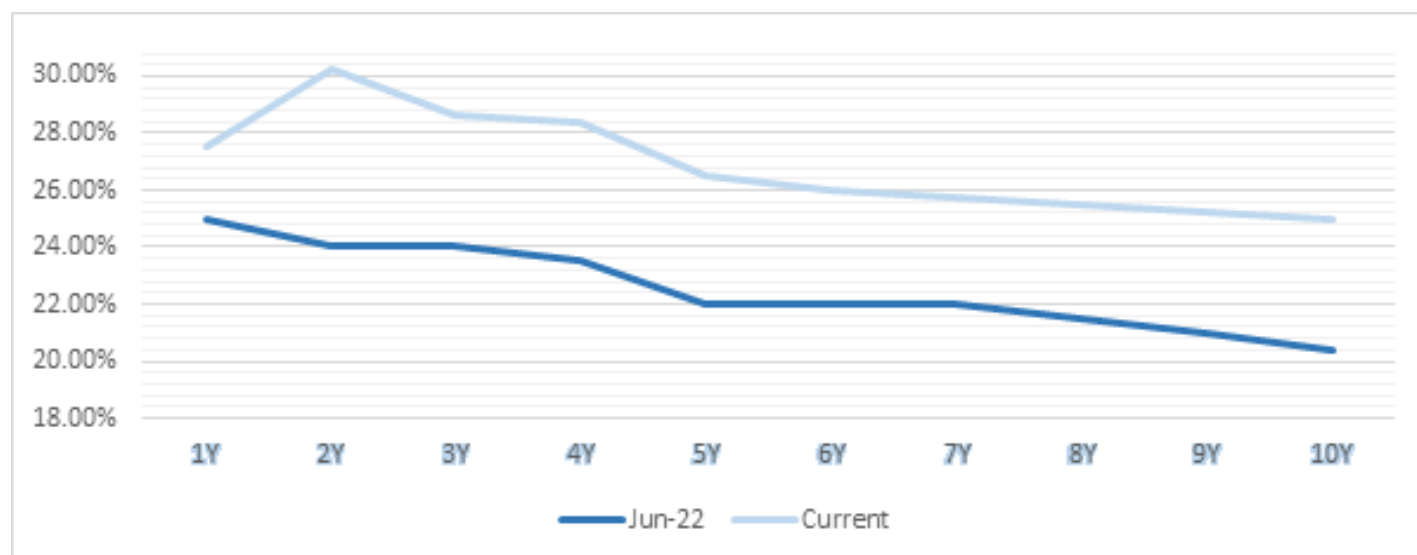
COMMODITIES

Gold prices held steady on Wednesday, hovering near a nine-month peak touched in the previous session on expectations of slower interest rate hikes from the U.S. Federal Reserve.

Crude oil prices slipped on Tuesday on concerns about a global economic slowdown and as preliminary data indicated a bigger than expected build in U.S. oil inventories.

ECONOMIC INDICATORS

Bond Curve



AWPLR %		AWDR %		T BILL%	
Week ending 20/01	27.54	Dec 2022	14.06	3M	30.08
Week ago	27.93	Nov 2022	13.37	6M	29.07
Year ago	8.65	Year ago	4.94	1Y	28.25

INFLATION (%)	October 2022	November 2022	December 2022	Year ago
NCPI (YoY)	70.6	65.0	59.2	14.0
NCPI (core)	62.4	60.1	57.5	10.8
NCPI (12m ave)	42.2	46.7	50.4	7.0
CCPI(YoY)	66.0	61.0	57.2	12.1
CCPI (core)	49.7	49.4	47.7	8.3
CCPI (12m ave)	38.3	42.6	46.4	6.0

CBSL reserves (USD)	1.896 Bn	LIBOR	USD	EUR	JPY	GBP
CBSL T-bill/bond holding	2548.99 Bn	1M	4.51	2.01	(0.05)	3.78
Market liquidity	40.43 Bn	3M	4.82	2.44	(0.05)	4.07
Foreign holding LKR bills/bonds	25.42 Bn	6M	5.10	2.91	0.05	4.45
		1Y	5.34	3.34	0.05	4.80

TREASURY DIVISION

Level-11

Tel: FX: 2664843-6 (Thayalan/Chaaminda/Chandika/Randheera/Pasan)

Interest Rates: 2664850-3 (Thayalan/Vajira/Mewan/Sanka)

E-mail: forex@hnb.lk Fax: 2664854 Fitch Rating: A(Ika.)

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(Sources: Reuters, Bloomberg)