

## TREASURY COMMENTARY – 16<sup>th</sup> March 2023

### DOMESTIC MARKET

#### USD/LKR

The USD/LKR interbank market is active and is trading in the range of 325.00 and 345.00 today. However, the volatility is continuing in the market.

#### USD/LKR Market Volume (USD Mn) on 15.03.2023

Cash	13.60
Tom	8.50
Spot	3.65
Forward	18.00

#### MONEY

Overnight call-money traded at 16.50 % on Wednesday(15.03.2023). Net market liquidity was a deficit of Rs 101.04 Bn on Wednesday from a deficit of Rs 128.06 Bn on Tuesday.

### FOREIGN MARKET

#### FOREX

Safe haven currencies like the U.S. dollar and the yen were in bid in Asian Trading on Thursday on renewed fears of a global banking crisis, after contagion from the implosion of U.S.-based Silicon Valley Bank had spread across the Atlantic to Swiss bank Credit Suisse.

In the latest blow to investors' confidence in the financial sector, Credit Suisse's shares on Wednesday plunged as much as 30%, after its largest shareholder said it could not provide further support to the bank. Traders flocked to traditional safe haven currencies, boosting the dollar and the Japanese yen, on mounting worries that the recent stress unfolding across banks in the U.S. and Europe could be a harbinger of a widespread systemic crisis.

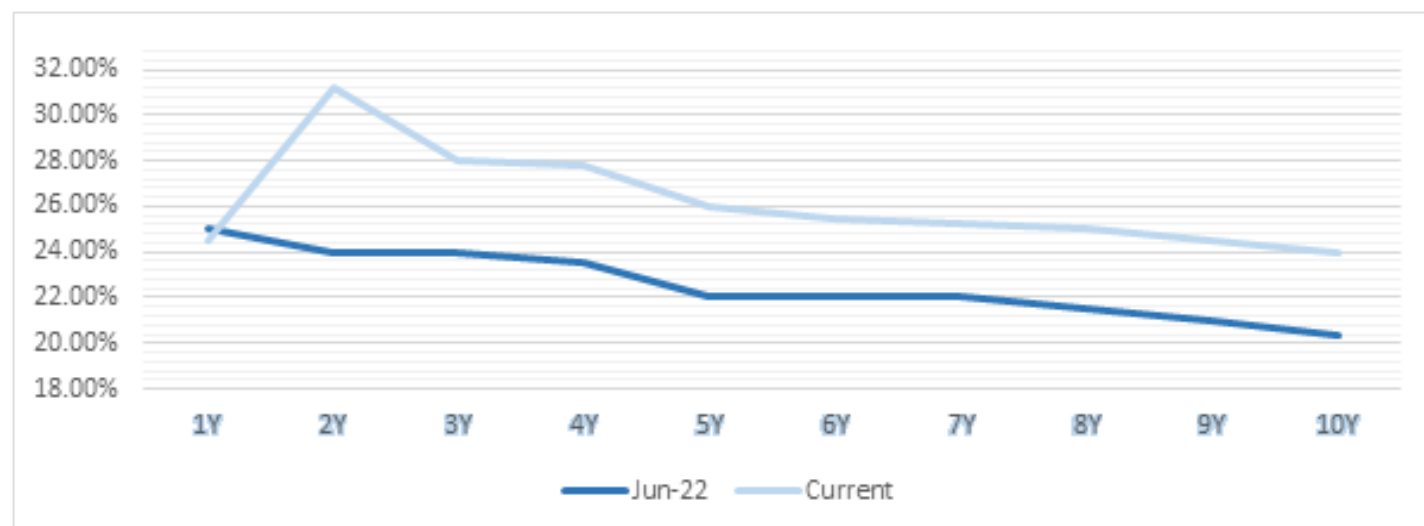
The yen jumped about 0.5% in early Asia trade and last stood at 132.73 per dollar, extending Wednesday's 0.6% gain. The euro was nursing deep losses in early Asia trade, last rising 0.04% to \$1.0582, after tumbling 1.4% in the previous session. Likewise, sterling gained 0.18% to \$1.20775, having fallen close to 0.9% on Wednesday. Against a basket of currencies, the U.S. dollar index was last 0.07% lower at 104.58, after jumping nearly 1% in the previous session. Investors remain on tenterhooks as they await further clarity on how widespread the fallout could be, with rescue measures from authorities doing little to soothe heightened fears thus far. Focus also turns to how central banks will navigate their paths on future rate hikes, with policymakers left in a bind on how much further they should raise rates to stem inflation without triggering a financial sector shakeout. The European Central Bank meets later on Thursday and is due to announce its interest rate decision following the meeting. Traders' bets on a 50-basis-point rate hike have evaporated quickly as the rout in Credit Suisse shares fanned concerns about the health of Europe's banking sector

#### COMMODITIES

Gold prices edged higher on Thursday as troubles at Swiss lender Credit Suisse renewed fears of a banking crisis worldwide and steered traders towards the safe-haven metal. Oil prices rose in early Asian trade on Thursday, clawing back some ground from more than one-year lows hit in the previous session as markets calmed somewhat after Credit Suisse was thrown a financial lifeline by Swiss regulators.

# ECONOMIC INDICATORS

## Bond Curve



**AWPLR %**  
**Week ending 10/03** 22.74  
**Week ago** 23.45  
**Year ago** 9.13

**AWDR %**  
**Feb 2023** 14.74  
**Jan 2023** 14.63  
**Year ago** 5.07

**T BILL%**  
**3M** 27.94  
**6M** 27.34  
**1Y** 25.92

### INFLATION (%)

	December 2022	January 2023	February 2023	Year ago
NCPI (YoY)	59.2	53.2	-	14.0
NCPI (core)	57.5	-	-	10.8
NCPI (12m ave)	50.4	-	-	7.0
CCPI(YoY)	57.2	51.7	50.6	14.2
CCPI (core)	47.7	45.6	43.6	9.9
CCPI (12m ave)	46.4	49.6	-	6.9

CBSL reserves (USD)	2.217 Bn	LIBOR	USD	EUR	JPY	GBP
CBSL T-bill/bond holding	2603.6 Bn	1M	4.71	2.60	(0.10)	4.07
Market liquidity	(101.04) Bn	3M	4.91	2.75	(0.10)	4.24
Foreign holding LKR bills/bonds	51.6 Bn	6M	4.83	3.04	(0.15)	4.54
		1Y	4.73	3.51	.005	4.72

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(Sources: Reuters, Bloomberg)