

TREASURY COMMENTARY – 21st March 2023

DOMESTIC MARKET

USD/LKR

The USD/LKR interbank market is active and is trading in the range of 310.00 and 330.00 today. However, the volatility is continuing in the market.

USD/LKR Market Volume (USD Mn) on 20.03.2023

Cash	15.45
Tom	7.0
Spot	48.15
Forward	23.0

MONEY

Overnight call-money traded at 16.5 % on Monday(20.03.2023). Net market liquidity was a deficit of Rs 154.03 Bn on Friday from a surplus of Rs 110.43 Bn on Friday.

FOREIGN MARKET

FOREX

The dollar regained some ground in Asian trading on Tuesday but was pinned near a five-week low as traders tiptoed back into riskier assets after UBS' state-backed takeover of Credit Suisse allayed some fears of a widespread, systemic banking crisis.

Market sentiment remained fragile, however, as investors struggled to determine the scale of the ramifications from a sector hit that began with Silicon Valley Bank's collapse, putting a cap on risk appetite and giving some support to the safe haven dollar.

Sterling rose 0.02% to \$1.2280, while the euro steadied at \$1.0722.

The Aussie fell 0.22% to \$0.6703.

News of UBS' planned takeover of rival Credit Suisse on Sunday - a shotgun merger engineered by Swiss authorities - gave way to a small risk-on rally on Monday, as worries over market-shaking turmoil across global banks waned.

The dollar slipped 0.12% to 131.15 against the Japanese yen, while the U.S. dollar index, which measures the greenback against a basket of currencies, fell 0.04% to 103.30.

Lower U.S. rate expectations also added to downward pressure on the dollar ahead of the Fed's two-day policy meeting commencing later on Tuesday.

Elsewhere, the kiwi slid 0.16% to \$0.6237. The Reserve Bank of New Zealand said on Tuesday it saw no immediate need to request the reinstatement of a U.S. dollar swap line that expired in 2021.

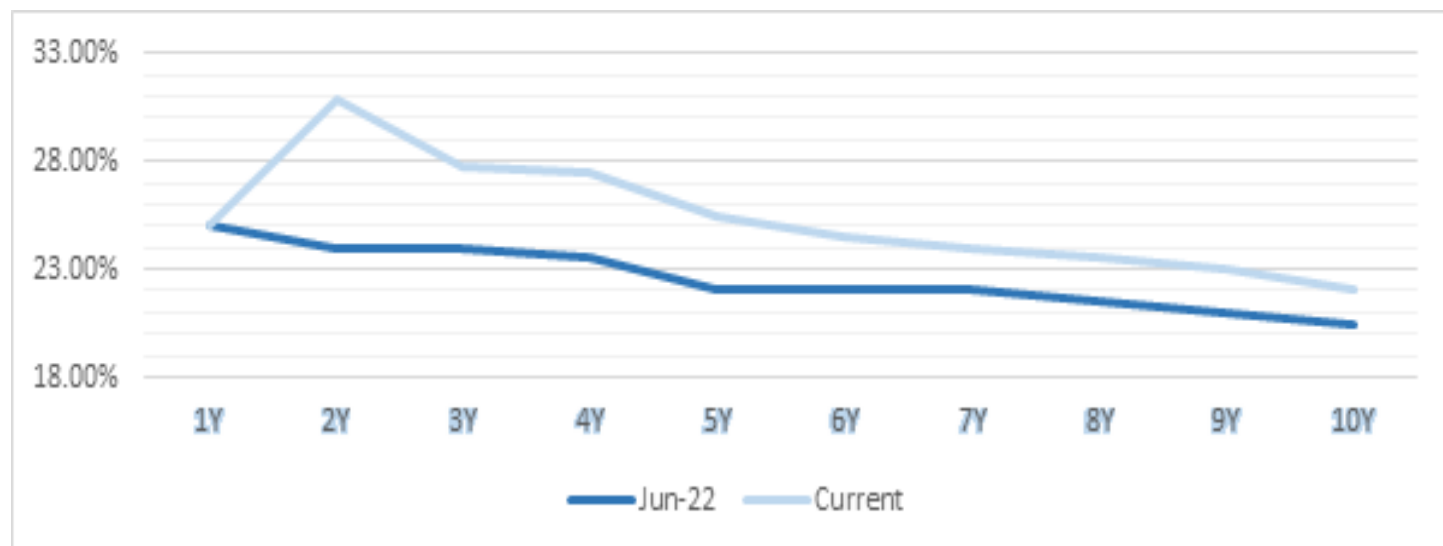
COMMODITIES

Gold prices edged down on Tuesday, with investors looking forward to the Federal Reserve policy meeting as expectations grew that the U.S. central bank could pause raising its interest rates given the upheaval among banks.

Oil prices stabilized on Tuesday after falling early in the previous session on investor worries that recent banking-sector problems would weigh on the global economy and limit demand for crude.

ECONOMIC INDICATORS

Bond Curve



AWPLR %
Week ending 17/03 23.78
Week ago 22.74
Year ago 9.46

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	2701.99 Bn	1M	4.75	2.65	(0.03)	4.07
Market liquidity	(154.03) Bn	3M	4.95	2.75	(0.05)	4.21
Foreign holding LKR bills/bonds	67.98 Bn	6M	4.85	3.06	(0.10)	4.40
		1Y	4.70	3.38	0.10	4.60

TREASURY DIVISION

Level-11

Tel: FX: 2664843-6 (Thayalan/Sanka/Chaaminda/Chandike)

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)