

## TREASURY COMMENTARY – 24th January 2024

### DOMESTIC MARKET

#### USD/LKR

The USD/LKR market is active and is trading around the level of 315.00 and 324.00. The rupee has appreciated by approximately 1.38% against the USD from the beginning of the year.

#### USD/LKR Market Volume (USD Mn) on 23.01.2024

Cash	2.14
Tom	2.0
Spot	34.3
Forward	7.75

#### MONEY

Overnight call-money traded at 9.09% on Tuesday (23.01.2024). Net market liquidity was a deficit of Rs 79.28 Bn on Tuesday from a deficit of Rs 56.42 Bn on Monday.

### GLOBAL MARKETS

#### FOREIGN EXCHANGE

The dollar hovered near a six-week high against major peers in Asian trading on Wednesday as investors cemented expectations that the Federal Reserve would be in no rush to cut interest rates in the face of a resilient U.S. economy.

The Japanese yen, though, ticked higher as expectations rose for a stimulus exit as soon as March, following hawkish comments from the Bank of Japan on Tuesday.

The U.S. dollar index - which tracks the currency against six rivals, including the euro and yen - was flat at 103.48 after rising to the highest since Dec. 13 at 103.82 in the previous session.

The ECB decides policy on Thursday. No change in interest rates is expected, but investors will watch the tone of the statement and central bank chief Christine Lagarde's press conference for clues on where rates are headed. The euro was flat at \$1.08565, after slipping as low as \$1.0822 on Tuesday for the first time since Dec. 13.

Sterling was slightly higher at \$1.2694, making up some ground following an overnight dip of 0.2%. The Bank of England announces its policy decision on Feb. 1.

The dollar declined 0.17% to 148.085 yen, after swinging from as low as 146.99 and as high as 148.70 on Tuesday.

The Bank of Canada meets on policy on Wednesday, and is expected to leave its key overnight rate unchanged at a 22-year high of 5%. The greenback was flat at C\$1.3462, after slipping 0.15% on Tuesday.

China's yuan was steady in offshore trading at 7.1660 per dollar, keeping close to a nearly two week high of 7.1635 from Tuesday.

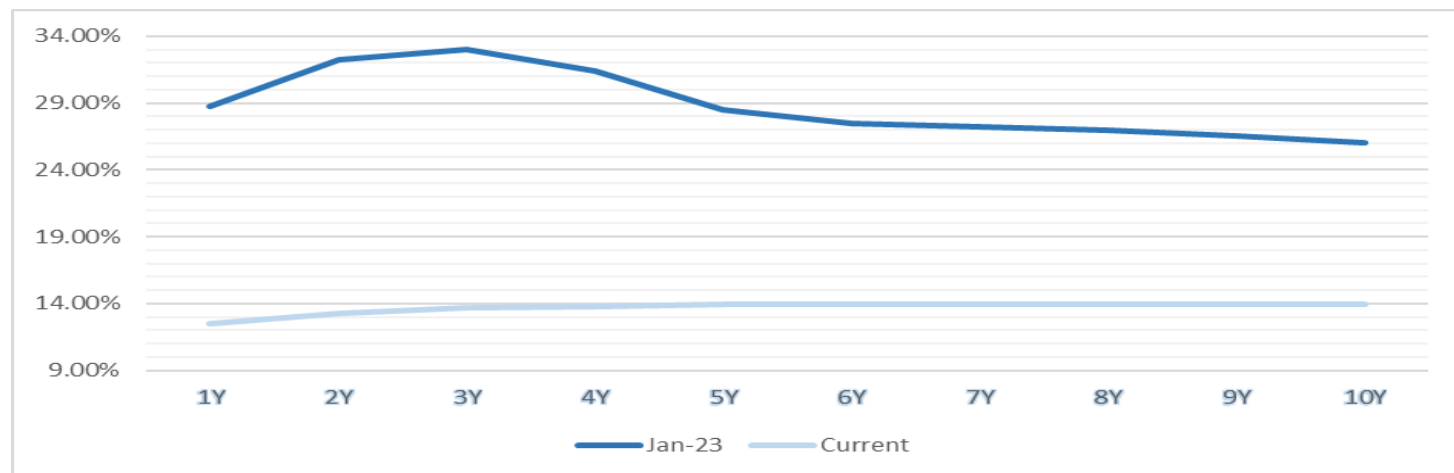
#### COMMODITIES

Gold prices were steady on Wednesday as investors awaited U.S. economic data that could offer more clues on the Federal Reserve's depth and scale of interest rate cuts.

Oil prices were little changed in Asian trading on Wednesday as weak demand and a recovery in supply limited the market's reaction to mounting geopolitical risk.

# ECONOMIC INDICATORS

## Bond Curve



**AWPLR %**  
**Week ending 19/01** **11.78**  
**Week ago** 11.87  
**Year ago** 27.54

**AWDR %**  
**Dec 2023** 11.64  
**Nov 2023** 12.11  
**Year ago** 14.06

**T BILL%**  
**3M** 13.35  
**6M** 13.41  
**1Y** 12.78

INFLATION (%) (Base:2021=100)	Oct 2023	Nov 2023	Dec 2023	Year ago
NCPI (YoY)	1.0	2.8	4.2	59.2
NCPI (core)	0.6	0.8	0.9	57.5
CCPI(YoY)	1.5	3.4	4.0	57.2
CCPI (core)	1.2	0.8	0.6	47.7

CBSL reserves (USD) – DEC 23"	4.400 Bn
CBSL T-bill/bond holding	2,753.62 Bn
Market liquidity	(79.28) Bn
Foreign holding LKR bills/bonds	108.94 Bn

	O/N	1M	3M	6M	12M
USD SOFR	5.3100	5.3358	5.3246	5.1866	4.8349
EUR ESTR	3.9040	3.9050	3.8890	3.7700	3.3650
GBP SONIA	5.1879	5.1948	5.2065	5.1606	4.8918

## TREASURY DIVISION Level-11

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(Sources: Reuters, Bloomberg)