

TREASURY COMMENTARY – 26th January 2024

DOMESTIC MARKET

USD/LKR

The USD/LKR market is active and is trading around the level of 313.00 and 322.00. The rupee has appreciated by approximately 2.00% against the USD from the beginning of the year.

USD/LKR Market Volume (USD Mn) on 24.01.2024

Cash	7.02
Tom	1.00
Spot	88.70
Forward	60.00

MONEY

Overnight call-money traded at 9.10% on Wednesday (24.01.2024). Net market liquidity was a surplus of Rs 103.08 Bn on Wednesday from a deficit of Rs 79.28 Bn on Tuesday .

GLOBAL MARKETS

FOREIGN EXCHANGE

The U.S. dollar held firm in Asian trading on Friday after rising overnight, as traders weighed how domestic GDP data that surprised to the upside would impact the Federal Reserve's rate path and awaited key inflation data later in the day.

The Euro, meanwhile, was on the backfoot following the European Central Bank's (ECB) latest monetary policy meeting on Thursday which held interest rates at a record-high 4%.

In the United States, official data on advance GDP estimate showed gross domestic product in the last quarter increased at a 3.3% annualized rate, overshooting the consensus forecast of 2% growth rate. It also showed inflation pressures subsiding further.

The dollar index , which measures the greenback against a basket of major currencies, hovered around 103.52 after climbing about 0.2% overnight. It's gained about 2% so far this year. U.S. Treasury yields slid, with the benchmark 10-year yield down at 4.11% in the Asian morning. The Euro was last \$1.0841, after slipping to a six-week low of \$1.08215 on Thursday.

The ECB stood pat at its policy meeting on Thursday as expected, although traders piled on bets that the bank will cut interest rates from April as they interpreted policymakers are growing more comfortable with the inflation outlook.

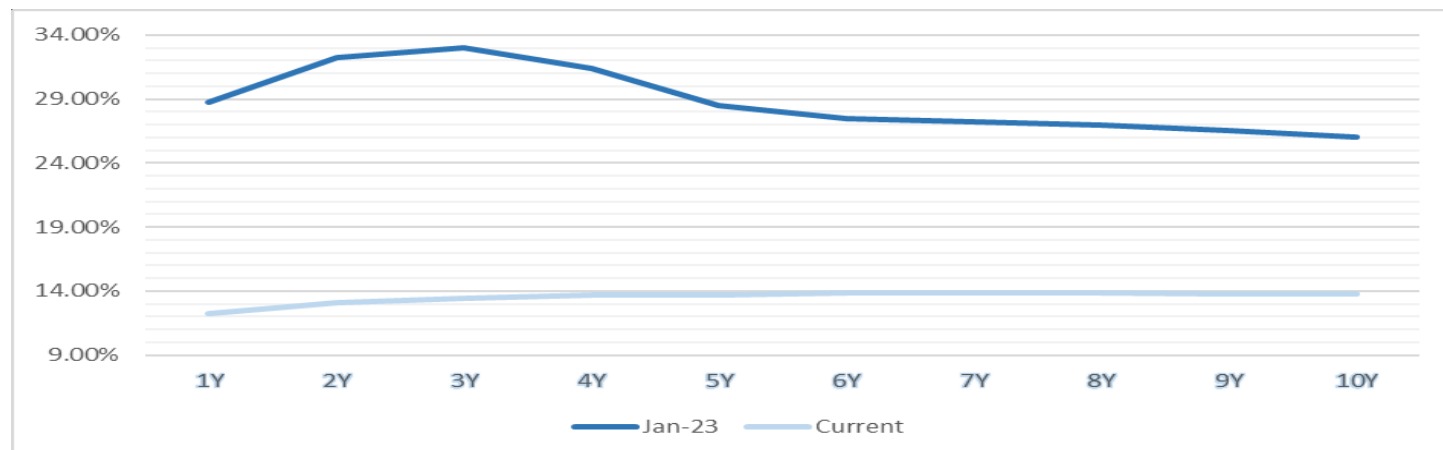
Elsewhere, the <yen JPY=EBS> was stuck around 147.56 per dollar, after it inched further down overnight from recent lows hit earlier this week after the Bank of Japan took a more hawkish tone..

COMMODITIES

Gold prices edged higher on Friday, but were on track for their second consecutive weekly fall as data indicating strong growth in the U.S. economy kept the dollar firm, while focus shifted to a key inflation print due later in the day. Oil prices eased in early trading on Friday, but were set to close higher for the week on positive economic data from the United States and China and a draw in U.S. crude stocks

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	103.08 Bn
Foreign holding LKR bills/bonds	108.94 Bn

	O/N	1M	3M	6M	12M
USD SOFR	5.3100	5.3365	5.3195	5.1722	4.8196
EUR ESTR	3.9050	3.9060	3.8870	3.7640	3.3600
GBP SONIA	5.1875	5.1947	5.2070	5.1710	4.9385

TREASURY DIVISION Level-11

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(Sources: Reuters, Bloomberg)