

TREASURY COMMENTARY – 29th 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 26.01.2024

Cash	0.32
Tom	-
Spot	43.85
Forward	26.7

MONEY

Overnight call-money traded at 9.14% on Friday (26.01.2024). Net market liquidity was a surplus of Rs 121.35 Bn on Friday from a surplus of Rs 103.08 Bn on Wednesday.

GLOBAL MARKETS

FOREIGN EXCHANGE

In Asian trading the dollar started the week on a steady footing as investors took stock of U.S. economic data ahead of the Federal Reserve policy meeting this week, while escalating geopolitical tensions in the Middle East kept risk sentiment in check.

The dollar index, which measures the U.S. currency against six rivals, inched 0.01% higher to 103.55 on Monday, set for a 2% gain in January as traders temper expectations of early and deep U.S. interest rate cuts. The Fed in December surprised markets by taking a dovish tone and projecting 75 basis points of rate cuts in 2024, resulting in markets pricing in early and steep easing, with a cut expected as early as March.

The euro was down 0.05% at \$1.0847, while Sterling was last at \$1.2703, up 0.04% on the day ahead of Bank of England meeting later this week.

The Japanese yen strengthened 0.01% to 148.14 per dollar on Monday. The Asian currency is down nearly 5% against the dollar in January, on course for its weakest monthly performance since June 2022.

Elsewhere, The Australian dollar rose 0.21% to \$0.659, while the New Zealand dollar gained 0.18% to \$0.610.

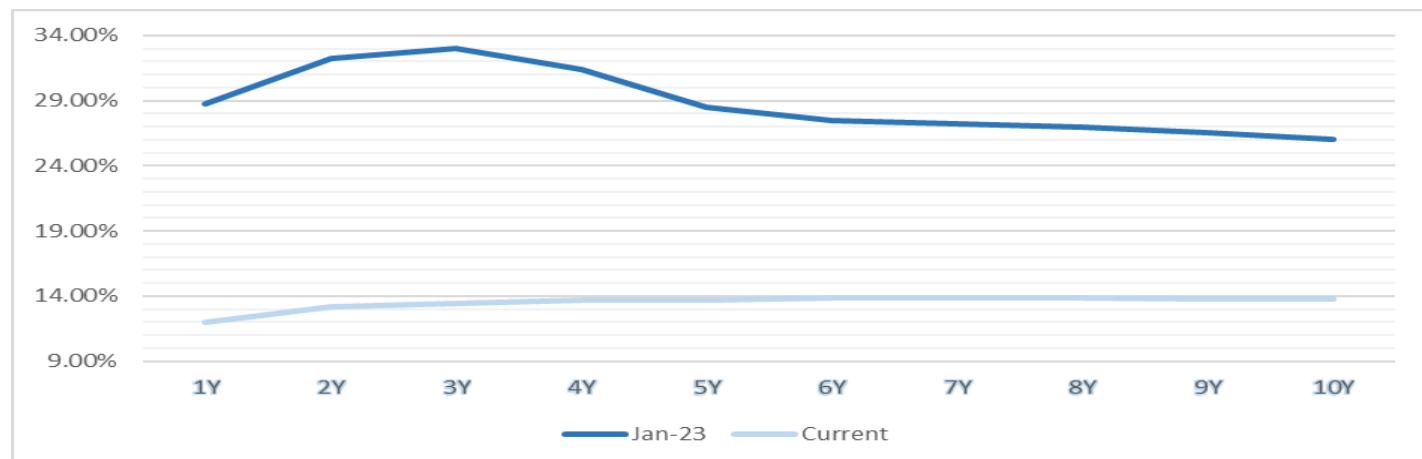
COMMODITIES

Gold prices rose on Monday as escalations in the Middle East triggered safe-haven buying, while traders awaited U.S. Federal Reserve's chair Jerome Powell's remarks at the end of its two-day policy meet this week for interest rate outlook.

Oil prices jumped 1% on Monday on fuel supply concerns after a missile struck a Trafigura-operated fuel tanker in the Red Sea and as Russian refined products exports are set to fall as several refineries are under repair after drone attacks.

ECONOMIC INDICATORS

Bond Curve



AWPLR %
Week ending 26/01 12.25
Week ago 11.78
Year ago 25.28

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	121.35 Bn
Foreign holding LKR bills/bonds	112.58 Bn

	O/N	1M	3M	6M	12M
USD SOFR	5.3200	5.3364	5.3174	5.1574	4.7989
EUR ESTR	3.9000	3.9050	3.8820	3.7570	3.3510
GBP SONIA	5.1882	5.1946	5.2073	5.1599	4.8895

TREASURY DIVISION Level-11

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(Sources: Reuters, Bloomberg)