

TREASURY COMMENTARY – 31st January 2024

DOMESTIC MARKET

USD/LKR

The USD/LKR market is active and is trading around the level of 313.00 and 321.00. The rupee has appreciated by approximately 2.19% against the USD from the beginning of the year.

USD/LKR Market Volume (USD Mn) on 30.01.2024

Cash	6.02
Tom	35.75
Spot	42.1
Forward	43.75

MONEY

Overnight call-money traded at 9.13% on Tuesday (30.01.2024). Net market liquidity was a deficit of Rs 37.54 Bn on Tuesday from a surplus of Rs 42.24 Bn on Monday.

GLOBAL MARKETS

FOREIGN EXCHANGE

The dollar headed for its biggest monthly gain since September and the yen for its sharpest drop in nearly a year in Asian trading on Wednesday, as traders waited on a U.S. rates decision to round out January. The dollar has gained 2% against a basket of major currencies this month as markets dialed back expectations on the speed and scale of rate cuts in the face of strong U.S. economic data and pushback from central bankers.

In Japan, meanwhile, tepid wage growth and cooling inflation dulled expectations for hikes, driving the yen down more than 4% on the dollar in January, its largest fall since Feb. 2023.

The dollar was steady at \$1.0844 per euro and a touch weaker at 147.23 yen early in the Asia day, with a summary showing discussion of ending negative interest rates at the Bank of Japan's January meeting helping support the yen.

The dollar index last sat at 103.36. Sterling hovered at \$1.2698. Later, the Federal Reserve is expected to hold U.S. interest rates steady but flag cuts are coming by dropping language indicating it is weighing further hikes. Interest rate futures price a roughly 43% chance of a Fed rate cut in March, down from 73% at the start of the year.

The Aussie slipped 0.2% to \$0.6588. The New Zealand dollar was steady at \$0.6133.

The Chinese currency was steady at 7.1887 in offshore trade on Wednesday, down 0.9% for the month.

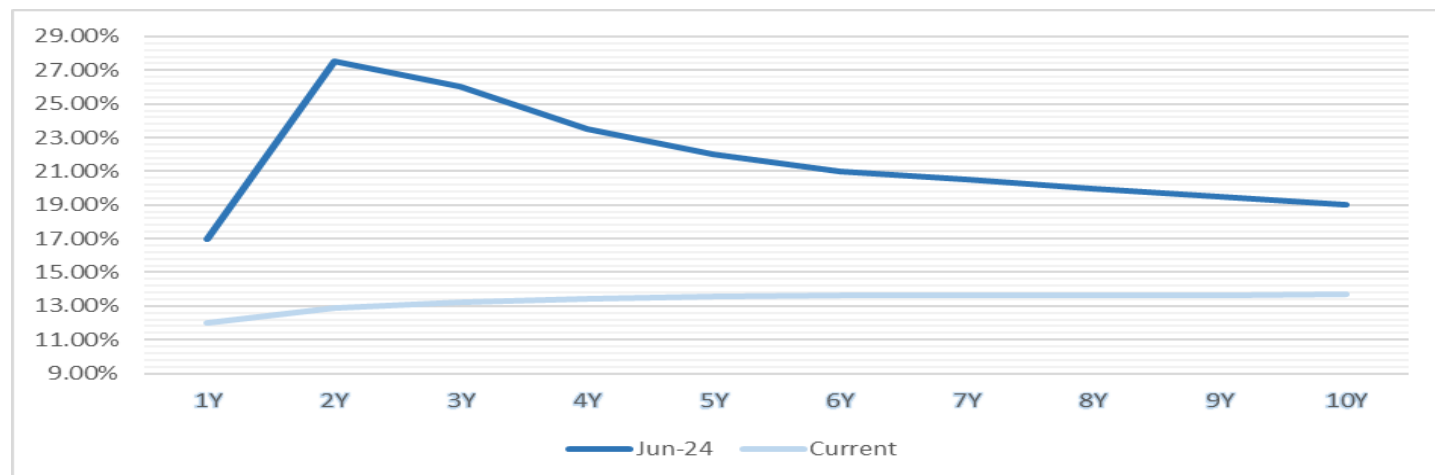
COMMODITIES

Gold prices were on track for their first monthly decline in four as investors toned down their estimate of rapid and deeper rate cuts in the U.S. on the face of a resilient economy, and awaited remarks from the Federal Reserve due later in the day.

Oil prices edged off in early Asian trading on Wednesday on continued bearish fundamentals, following gains in the previous session amid an escalating conflict in the Middle East.

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	2,755.62 Bn
Market liquidity	(37.54) Bn
Foreign holding LKR bills/bonds	112.58 Bn

	O/N	1M	3M	6M	12M
USD SOFR	5.3100	5.3283	5.3064	5.1461	4.7894
EUR ESTR	3.9000	3.9050	3.8550	3.6790	3.2370
GBP SONIA	5.1879	5.1937	5.2001	5.1334	4.8355

TREASURY DIVISION Level-11

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(Sources: Reuters, Bloomberg)