

TREASURY COMMENTARY – 12th February 2024

DOMESTIC MARKET

USD/LKR

The USD/LKR market is active and is trading around the level of 309.00 and 317.00. The rupee has appreciated by approximately 3.42% against the USD from the beginning of the year.

USD/LKR Market Volume (USD Mn) on 09.02.2024

Cash	19.59
Tom	10.25
Spot	16.0
Forward	27.65

MONEY

Overnight call-money traded at 9.13% on Friday (09.02.2024). Net market liquidity was a surplus of Rs 125.32 Bn on Friday from a surplus of Rs 75.76 Bn on Thursday.

GLOBAL MARKETS

FOREIGN EXCHANGE

The dollar eased in Asian trading on Monday as it headed for a fourth week of gains while traders reduced their bets on how quickly the Bank of Japan might raise interest rates and how soon the Federal Reserve will cut them.

The dollar index fell 0.07% to 104.04, while the euro was up 0.08% to \$1.0785.

The yen was little changed at 149.32 per dollar after trading at 149.575 earlier, its weakest since Nov. 27. It is heading for about a 0.64% slide this week, having fallen in value in five out of the last six weeks. Traders have all but ruled out a cut at the Fed's next policy meeting in March, versus a chance of 65.9% a month ago, according to CME Group's FedWatch Tool. It shows around a 60% chance of a cut by the Fed at its May meeting.

Sterling rose 0.15% to \$1.2635. Both the euro and the pound have been relatively resilient this week, with officials from the European Central Bank and Bank of England pushing back against market wagers on early rate reductions.

The Swiss franc weakened to 0.8747, with the dollar up about 0.93% on the safe haven currency this week as traders digested data suggesting the Swiss National Bank could be intervening in markets to weaken the franc.

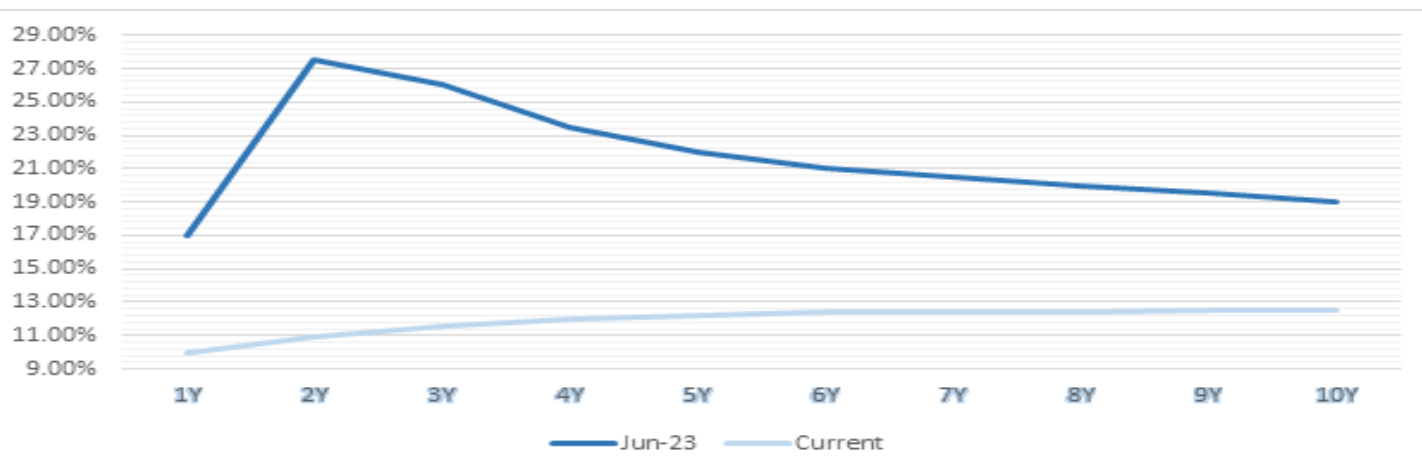
COMMODITIES

Gold slipped on Monday and was heading for a weekly fall, pressured by elevated Treasury yields, while investors awaited next week's U.S. inflation data for more clues on the timing of the Federal Reserve's interest rate cuts.

Oil prices fell in early Asian trade on Monday after Israel said it had "concluded" a series of strikes in southern Gaza, slightly easing concerns about supply from the Middle East.

ECONOMIC INDICATORS

Bond Curve



AWPLR %
 Week ending 09/02 **11.83**
 Week ago 11.91
 Year ago 25.83

AWDR %
 Jan **2024** 11.15
 Dec **2023** 11.64
 Year ago 14.63

T BILL%
 3M 10.96
 6M 11.07
 1Y 10.73

INFLATION (%) (Base:2021=100)	Nov 2023	Dec 2023	Jan 2024	Year ago
NCPI (YoY)	2.8	4.2	-	59.2
NCPI (core)	0.8	0.9	-	57.5
CCPI(YoY)	3.4	4.0	6.4	51.7
CCPI (core)	0.8	0.6	2.2	45.6

CBSL reserves (USD) – JAN 24"	4.491 Bn
CBSL T-bill/bond holding	2,735.62 Bn
Market liquidity	125.32 Bn
Foreign holding LKR bills/bonds	111.15 Bn

	O/N	1M	3M	6M	12M
USD SOFR	5.3100	5.3207	5.3090	5.1886	4.8802
EUR ESTR	3.9030	3.9060	3.8670	3.7320	3.3670
GBP SONIA	5.1880	5.1940	5.2047	5.1674	4.9710

TREASURY DIVISION Level-11

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