

## TREASURY COMMENTARY – 26<sup>th</sup> February 2024

### DOMESTIC MARKET

#### USD/LKR

The USD/LKR market is active and is trading around the level of 307.00 and 315.00. The rupee has appreciated by approximately 4.04 % against the USD from the beginning of the year.

#### USD/LKR Market Volume (USD Mn) on 22.02.2024

|         |       |
|---------|-------|
| Cash    | 9.5   |
| Tom     | 13.0  |
| Spot    | 46.85 |
| Forward | 38.5  |

#### MONEY

Overnight call-money traded at 9.19% on Thursday (22.02.2024). Net market liquidity was a surplus of Rs 103.89 Bn on Thursday from a surplus of Rs 59.2 Bn on Wednesday.

### GLOBAL MARKETS

#### FOREIGN EXCHANGE

The dollar was on the front foot in Asian trading on Monday ahead of a packed week filled with key economic releases that will provide further clues on the global interest rate outlook, with a U.S. inflation reading taking center stage.

The core personal consumption expenditures (PCE) price index - the Federal Reserve's preferred measure of inflation - is due on Thursday, where expectations are for a 0.4% increase on a monthly basis.

Inflation figures in the euro zone, Japan and Australia are also in the data calendar this week, alongside a rate decision from the Reserve Bank of New Zealand (RBNZ) and PMI readings in China.

Ahead of the releases, the greenback edged broadly higher in early Asia trade, pushing the euro down 0.04% to \$1.0817, while the New Zealand dollar fell 0.55% to \$0.6164.

The kiwi had risen 1.2% last week, helped by broad dollar weakness and the risk of a rate hike from the RBNZ on Wednesday. While most economists expect the central bank to keep rates steady, futures show a roughly 30% chance of a 25-basis-point increase.

Sterling was flat at \$1.2671, while the Australian dollar fell 0.07% to \$0.6559.

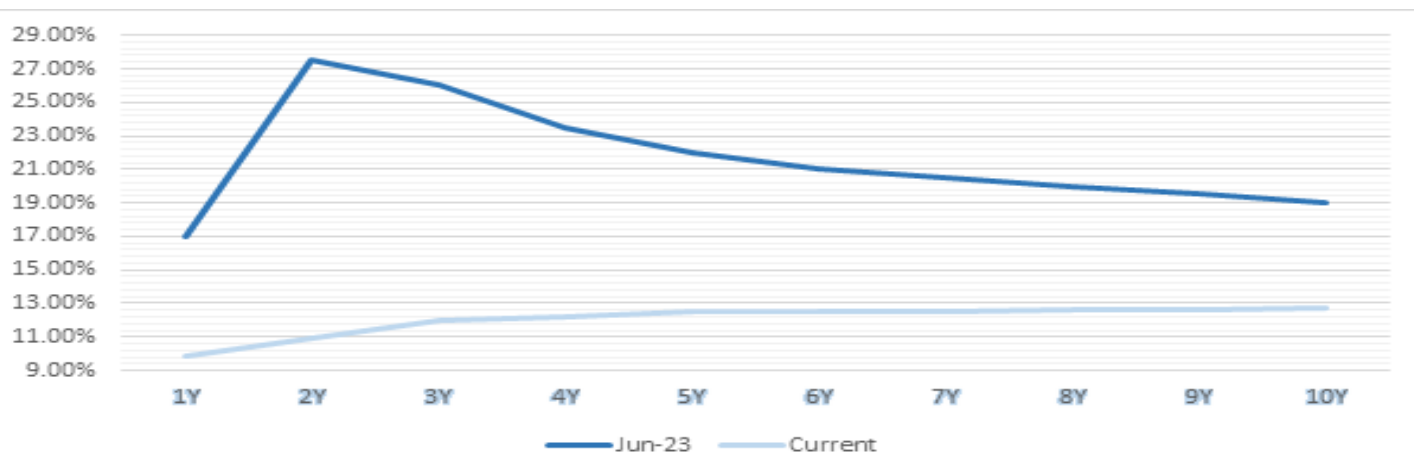
#### COMMODITIES

Gold prices inched down on Monday, pressured by a firmer dollar, while investors awaited further clues on the U.S. Federal Reserve's timing of this year's first interest rate cut.

Oil prices fell in early Asian trading on Monday, extending losses from the previous session after oil ended the week 2-3% lower amid market concerns that higher-than-expected inflation could delay U.S. interest rate cuts.

# ECONOMIC INDICATORS

## Bond Curve



| AWPLR %           |       |
|-------------------|-------|
| Week ending 22/02 | 11.50 |
| Week ago          | 11.61 |
| Year ago          | 24.21 |

| AWDR %   |       |
|----------|-------|
| Jan 2024 | 11.15 |
| Dec 2023 | 11.64 |
| Year ago | 14.63 |

| T BILL% |       |
|---------|-------|
| 3M      | 9.78  |
| 6M      | 9.86  |
| 1Y      | 10.02 |

| INFLATION (%)<br>(Base:2021=100) | Nov 2023 | Dec 2023 | Jan 2024 | Year ago |
|----------------------------------|----------|----------|----------|----------|
| NCPI (YoY)                       | 2.8      | 4.2      | 6.5      | 53.2     |
| NCPI (core)                      | 0.8      | 0.9      | -        | 52.0     |
| 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                | 103.89 Bn   |
| Foreign holding LKR bills/bonds | 99.16 Bn    |

|           | O/N    | 1M     | 3M     | 6M     | 12M    |
|-----------|--------|--------|--------|--------|--------|
| USD SOFR  | 5.3000 | 5.3241 | 5.3305 | 5.2735 | 5.0724 |
| EUR ESTR  | 3.9060 | 3.9080 | 3.8850 | 3.7710 | 3.4730 |
| GBP SONIA | 5.1888 | 5.1989 | 5.2119 | 5.1879 | 5.0350 |

## TREASURY DIVISION Level-11

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