

TREASURY COMMENTARY – 18th March 2024

DOMESTIC MARKET

USD/LKR

The USD/LKR market is active and is trading around the level of 301.00 and 309.00. The rupee has appreciated by approximately 5.89 % against the USD from the beginning of the year.

USD/LKR Market Volume (USD Mn) on 15.03.2024

Cash	6.35
Tom	8.2
Spot	66.55
Forward	38.96

MONEY

Overnight call-money traded at 9.19 on Friday (15.03.2024). Net market liquidity was a surplus of Rs 11.88 Bn on Friday from a deficit of Rs 36.08 Bn on Thursday.

GLOBAL MARKETS

FOREIGN EXCHANGE

The dollar was steady in Asian trading on Monday as traders looked ahead to a week dominated by central bank meetings worldwide, with the Bank of Japan seemingly on the brink of ending negative rates and the focus on how many rate cuts the Federal Reserve projects.

Apart from Japan and the United States, central banks in England, Australia, Norway, Switzerland, Mexico, Brazil and Indonesia are all due to meet, with most expected to stand pat on rates.

On Monday, the Japanese yen weakened 0.13% to 149.22 per dollar to its lowest in more than a week, but it is still up 0.5% in March against the greenback.

The Australian dollar was little changed at \$0.6560, hovering close to more than a week low. The Aussie is up around 1% so far in March. The New Zealand dollar was a tad higher at \$0.60855.

The euro was down 0.04% to \$1.0883, while the sterling was last trading at \$1.2729, down 0.08% on the day ahead of the Bank of England meeting on Thursday when the central bank is expected to stand pat on rates. The dollar index, which measures the U.S. currency against six rivals including the euro and yen, was at 103.48, having risen to 103.50, its highest since March 6 ahead of the Fed's meeting this week.

While the U.S. central bank is not expected to make any interest rate moves, hotter-than-expected U.S. producer and consumer price data last week has led traders to rein in bets on future cuts.

Traders are now pricing in 72 basis points of cuts this year, with 56% chance of the first rate cut coming in June, according to CME FedWatch tool.

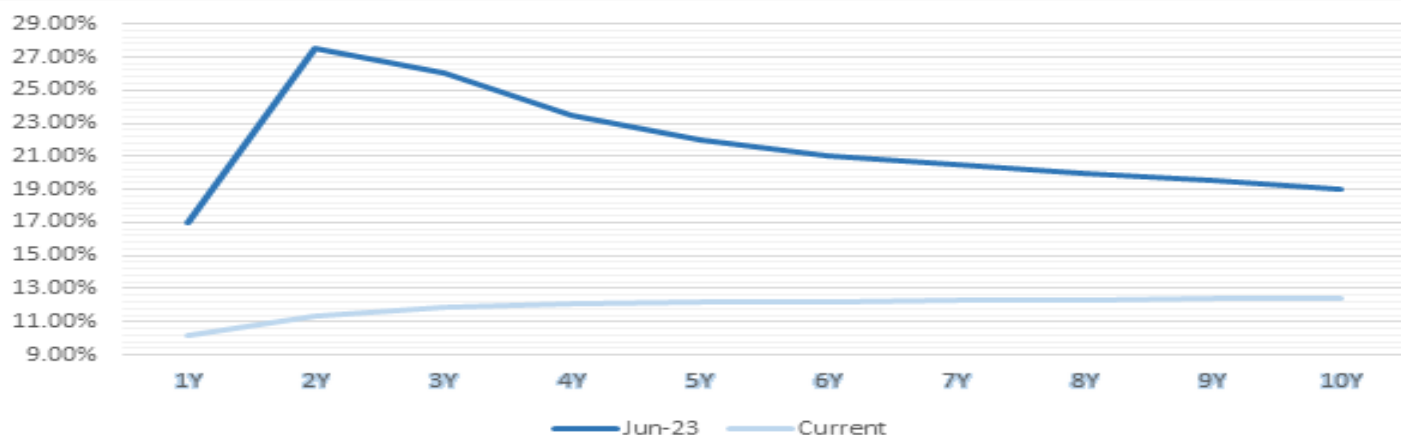
COMMODITIES

Gold struggled for momentum in early Asian hours on Monday as the dollar held firm and investors braced for a series of major central bank policy meetings including the U.S. Federal Reserve this week.

Oil prices ticked up in early Asian trading on Monday, firming up gains from last week when prices rose nearly 4% on the view that supply was tightening.

ECONOMIC INDICATORS

Bond Curve



AWPLR %
Week ending 15/03 11.35
Week ago 11.35
Year ago 23.78

AWDR %
Feb 2024 10.80
Jan 2024 11.15
Year ago 14.74

T BILL%
3M 10.10
6M 10.21
1Y 10.24

INFLATION (%) (Base:2021=100)	Dec 2023	Jan 2024	Feb 2024	Year ago
NCPI (YoY)	4.2	6.5	-	53.2
NCPI (core)	0.9	2.2	-	52.0
CCPI(YoY)	4.0	6.4	5.9	50.6
CCPI (core)	0.6	2.2	2.8	43.6

CBSL reserves (USD) – FEB 24"	4.517 Bn
CBSL T-bill/bond holding	2,691.27 Bn
Market liquidity	11.88 Bn
Foreign holding LKR bills/bonds	88.6g Bn

	O/N	1M	3M	6M	12M
USD SOFR	5.3100	5.3263	5.3296	5.2655	5.0595
EUR ESTR	3.9060	3.9060	3.8910	3.7580	3.4590
GBP SONIA	5.1888	5.1962	5.2078	5.1529	4.9828

TREASURY DIVISION Level-11

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(Sources: Reuters, Bloomberg)