

TREASURY COMMENTARY – 02nd April 2024

DOMESTIC MARKET

USD/LKR

The USD/LKR market is active and is trading around the level of 295 and 303. The rupee has appreciated by approximately 7.74 % against the USD from the beginning of the year.

USD/LKR Market Volume (USD Mn) on 01.04.2024

Cash	2.15
Tom	3.5
Spot	118.2
Forward	41.15

MONEY

Overnight call-money traded at 8.69% on Monday (01.04.2024). Net market liquidity was a surplus of Rs 58.51 Bn on Monday from a surplus of Rs 85.83 Bn on Thursday.

GLOBAL MARKETS

FOREIGN EXCHANGE

The U.S. dollar hovered near a 4-1/2-month high against major peers in Asian trading on Tuesday as traders rushed to push back bets for the Federal Reserve's first interest rate cut this year.

The dollar held close to a six-week peak versus the euro and sterling reached on Monday, after U.S. data unexpectedly showed the first expansion in manufacturing since September 2022.

Fears of intervention by Japanese officials limited dollar gains against the yen, even as long-term U.S. Treasury yields - which the currency pair tends to track - jumped more than 14 basis points to a two-week top at 4.337% overnight. Gold, which performs best when yields are falling, was knocked back from a record peak.

The U.S. rate futures market now factors in 61.3% odds of a Fed rate cut in June, down from about 70.1% probability a week ago, according to the CME's FedWatch tool.

The dollar index, which measures the currency against the yen, euro, sterling and three other peers, edged 0.02% higher to 105.02, following a 0.51% rally to as high as 105.07 on Monday.

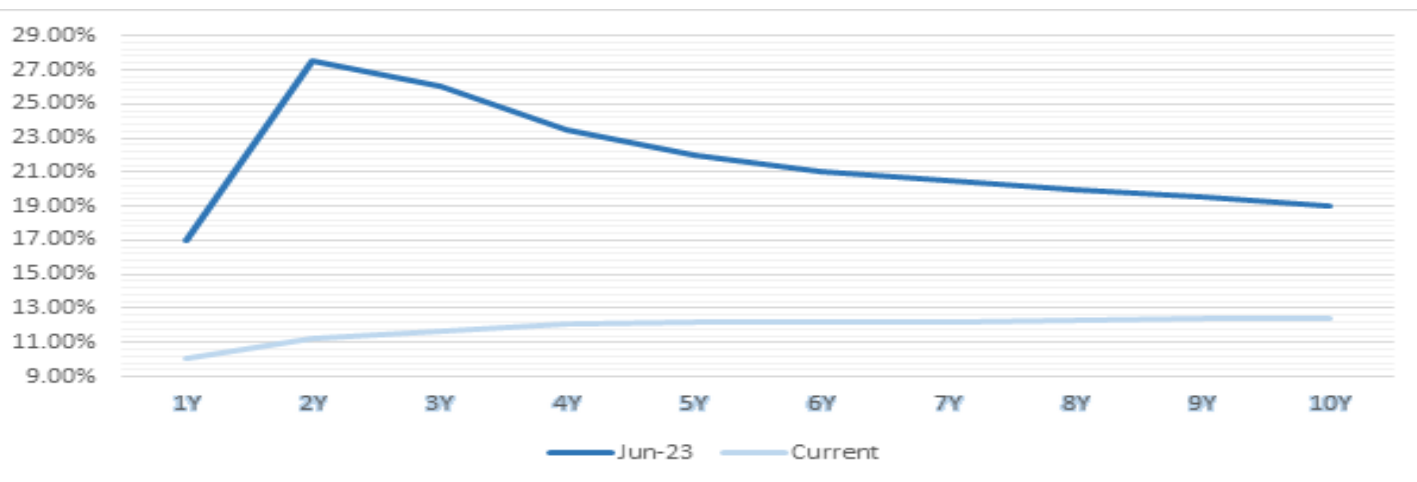
COMMODITIES

Gold prices held steady on Tuesday backed by lower U.S. Treasury yields, after touching a record high in the previous session on growing expectations that the Reserve would cut interest rates for the first time in June.

Oil prices gained in early Asian trading on Tuesday, underpinned by signs of improved demand and escalating Middle East tensions that had sparked a rally in U.S. futures to a five-month high in the previous session.

ECONOMIC INDICATORS

Bond Curve



AWPLR %
Week ending 28/03 10.69
Week ago 11.04
Year ago 21.40

AWDR %
Mar 2024 10.30
Feb 2024 10.80
Year ago 15.06

T BILL%
3M 10.07
6M 10.23
1Y 10.28

INFLATION (%)
 (Base:2021=100)

	Jan 2024	Feb 2024	Mar 2024	Year ago
NCPI (YoY)	6.5	5.1	-	53.6
NCPI (core)	2.2	2.7	-	50.1
CCPI(YoY)	6.4	5.9	0.9	50.3
CCPI (core)	2.2	2.8	3.1	39.1

CBSL reserves (USD) – FEB 24"	4,520 Bn
CBSL T-bill/bond holding	2,675.62 Bn
Market liquidity	58.51 Bn
Foreign holding LKR bills/bonds	90.60 Bn

	O/N	1M	3M	6M	12M
USD SOFR	5.3400	5.3241	5.3021	5.2316	5.0269
EUR ESTR	3.9070	3.8980	3.8530	3.7050	3.4010
GBP SONIA	5.1899	5.1998	5.1848	5.0925	4.8855

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