

TREASURY COMMENTARY – 03rd 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 02.04.2024

Cash	3.1
Tom	2.0
Spot	51.9
Forward	53.5

MONEY

Overnight call-money traded at 8.70% on Tuesday (02.04.2024). Net market liquidity was a surplus of Rs 56.60 Bn on Tuesday from a surplus of Rs 58.51 Bn on Monday.

GLOBAL MARKETS

FOREIGN EXCHANGE

The dollar was on the front foot in Asian trading on Wednesday, pinning the yen near its lowest in decades though the heightened threat of currency intervention by Tokyo capped further declines in the Japanese currency. The yen was last at 151.585 per dollar, languishing near last month's slump to 34-year lows of 151.975 in the wake of the Bank of Japan's historic policy shift.

While the BOJ raised rates for the first time in 17 years, policymakers' commitment to go slow on further increases have hammered the yen especially given the still-wide Japan-U.S. yield gap.

Elsewhere, the euro rose 0.02% to \$1.0772, standing some distance away from an over one-month low hit in the previous session, after the U.S. dollar ran into some profit-taking late overnight.

Sterling slipped 0.08% to \$1.25675.

The dollar, which on Tuesday touched a nearly five-month high of 105.10 against a basket of currencies, was last steady at 104.76. Traders now expect just about 70 basis points worth of rate cuts by the Federal Reserve this year - less than the central bank's projections, with the start of an easing cycle only fully priced in for July.

The Australian and New Zealand dollars, which are often used as liquid proxies for the yuan, have likewise come under pressure as a result of a stronger dollar and a weaker yuan. The Aussie edged 0.12% lower to \$0.65095, while the kiwi eased 0.18% to \$0.5959.

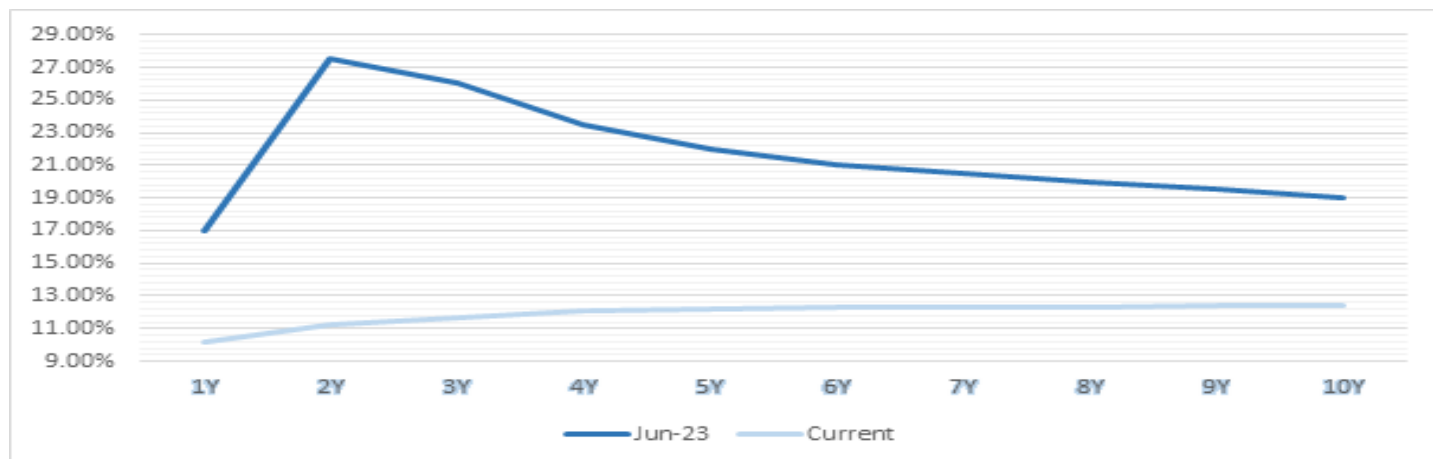
COMMODITIES

Gold prices extended their record rally on Wednesday, buoyed by a weaker dollar and safe-haven demand from escalating tensions in the Middle East, while investors looked forward to more U.S. economic data for policy clues.

Oil prices extended gains on Wednesday as a larger than expected fall in U.S. crude inventories and escalating geopolitical tensions raised investor worries about tighter supplies.

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	56.60 Bn
Foreign holding LKR bills/bonds	90.60 Bn

	O/N	1M	3M	6M	12M
USD SOFR	5.3500	5.3240	5.3081	5.2513	5.0724
EUR ESTR	3.9070	3.8980	3.8520	3.7070	3.4100
GBP SONIA	5.1911	5.1995	5.1760	5.0850	4.8845

TREASURY DIVISION
 Level-11

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