

TREASURY COMMENTARY – 17th April 2024

DOMESTIC MARKET

USD/LKR

The USD/LKR market is active and is trading around the level of 296.00 and 304.00. The rupee has appreciated by approximately 7.43% against the USD from the beginning of the year.

USD/LKR Market Volume (USD Mn) on 16.04.2024

Cash	3.0
Tom	1.0
Spot	18.75
Forward	9.0

MONEY

Overnight call-money traded at 8.63% on Tuesday (16.04.2024). Net market liquidity was a surplus of Rs 138.32 Bn on Tuesday from a surplus of Rs 74.97 Bn on Monday.

GLOBAL MARKETS

FOREIGN EXCHANGE

The dollar was broadly steady in Asian trading on Wednesday, keeping the yen rooted near 34-year lows after comments from Federal Reserve officials, including Chair Jerome Powell, suggested U.S. interest rates are likely to stay higher for longer.

Top U.S. central bank officials including Powell backed away on Tuesday from providing any guidance on when interest rates may be cut, saying instead that monetary policy needs to be restrictive for longer, dashing investor hopes for significant easing this year.

The dollar was broadly steady, with the euro at \$1.062 in Asian hours, not far from the five-and-half-month low of \$1.06013 it touched on Tuesday. Against a basket of currencies, the dollar was last at 106.33, just below the five month peak of 106.51 touched on Tuesday.

The yen, which is extremely sensitive to U.S. yields, has been stuck at levels last seen in 1990, with the currency inching closer to the 155 per dollar level that traders worry might result in intervention by Japanese authorities. On Wednesday, the yen was last at 154.65 per dollar, having touched the 34-year low of 154.79 in the previous session. The Japanese currency is down about 9% against the dollar this year.

In other currencies, sterling was last at \$1.2425, up 0.01% on the day but remained close to the five month low of \$1.24055 it touched on Tuesday.

The Australian dollar rose 0.12% to \$0.641, while the New Zealand dollar rose 0.22 to \$0.589. Data showed New Zealand's consumer prices rose in line with forecasts in the first quarter but domestically driven inflation remained surprisingly strong, prompting markets to push back the expected start of interest rate cuts.

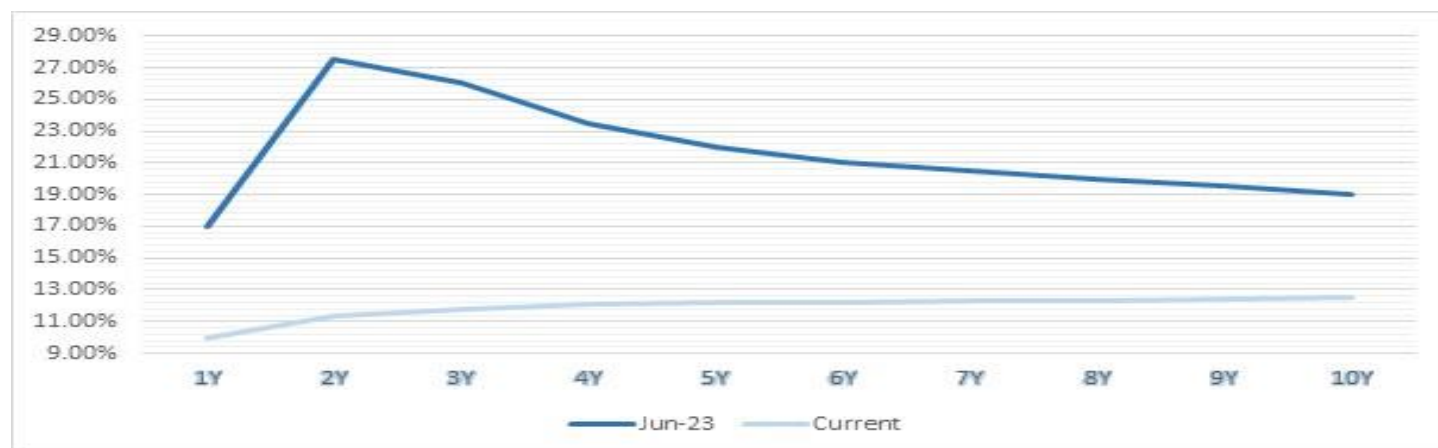
COMMODITIES

Gold prices held steady on Wednesday as safe-haven demand for bullion amid the Middle East conflict partially offset pressure from higher U.S. Treasury yields.

Oil prices eased in early trade on Wednesday as worries about global demand due to weak economic momentum in China and fading hopes for U.S. interest rate cuts in the near term outweighed supply fears on heightened tensions in the Middle East.

ECONOMIC INDICATORS

Bond Curve



AWPLR %
Week ending 10/04 10.63
Week ago 10.56
Year ago 22.09

AWDR %
Mar 2024 10.30
Feb 2024 10.80
Year ago 15.06

T BILL%
3M 10.10
6M 10.27
1Y 10.27

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) – MAR 24"	4,951 Bn
CBSL T-bill/bond holding	2,675.62 Bn
Market liquidity	138.32 Bn
Foreign holding LKR bills/bonds	85.41 Bn

	O/N	1M	3M	6M	12M
USD SOFR	5.3200	5.3188	5.3269	5.3048	5.2200
EUR ESTR	3.9030	3.9060	3.8320	3.6900	3.4190
GBP SONIA	5.1984	5.1993	5.1891	5.1378	5.0235

TREASURY DIVISION Level-11

Tel: FX: 2664843-6 (Vajira/Chaaminda/Manjuli/Madhushani/Anjula/Chandike)
Interest Rates: 2664850-3 (Vajira/Sanka/Pasan/Manjuli/Anjula)
E-mail: forex@hnb.lk Fax: 2664854 Fitch Rating: A(Ika.)