

## TREASURY COMMENTARY – 18<sup>th</sup> April 2024

### DOMESTIC MARKET

#### USD/LKR

The USD/LKR market is active and is trading around the level of 297.00 and 305.00. The rupee has appreciated by approximately 7.12% against the USD from the beginning of the year.

#### USD/LKR Market Volume (USD Mn) on 17.04.2024

Cash	1.1
Tom	-
Spot	22.5
Forward	5.0

#### MONEY

Overnight call-money traded at 8.64% on Wednesday (17.04.2024). Net market liquidity was a surplus of Rs 103.87 Bn on Wednesday from a surplus of Rs 138.32 Bn on Tuesday.

### GLOBAL MARKETS

#### FOREIGN EXCHANGE

The dollar was soft in Asian trading on Thursday as traders assessed the U.S. interest rates outlook in the wake of comments from Federal Reserve officials that cemented expectation of monetary settings remaining restrictive for a while longer.

The dollar has been rising in recent weeks as a slew of strong U.S. economic data and persistent inflation dashed expectation of rate cuts in the near term. Simmering tension in the Middle East also added to the dollar's safe-asset appeal.

On Thursday, the euro was a tad weaker at \$1.0664, having notched a 0.5% gain on Wednesday and lifting away from a five-month low touched on Tuesday. Sterling was last at \$1.2449, up 0.02% on the day.

The dollar index, which measures the U.S. currency against six peers, was last at 105.97, inching away from the five-and-a-half-month high of 106.51 hit on Tuesday as traders consolidated positions. The index is up 4.5% this year.

Markets are pricing in 44 basis points of cuts from the Fed this year, drastically lower than the 160 bps expected at the start of the year, with September becoming the latest starting point of the easing cycle, showed the CME FedWatch Tool.

The yen strengthened 0.05% to 154.29 a dollar but remained close to the 34-year low of 154.79 touched on Tuesday. The currency is down 8.65% so far this year.

Elsewhere, the Australian dollar was little changed at \$0.6439, while the New Zealand dollar eased a bit to \$0.5914 after spiking 0.6% on Wednesday.

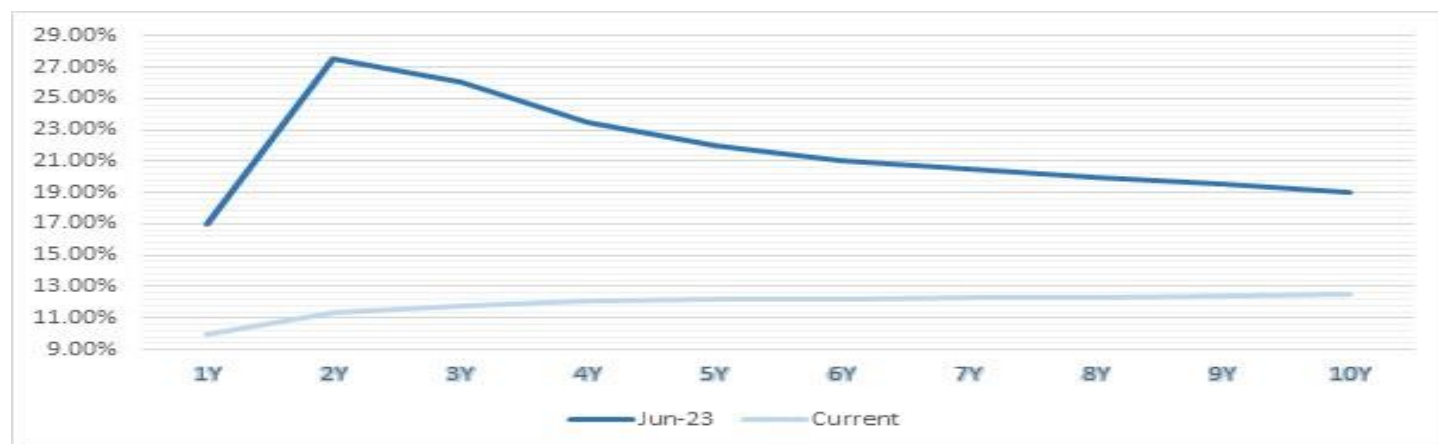
#### COMMODITIES

Gold prices climbed on Thursday as concerns about the Middle East war extending to other regions boosted demand for the safe-haven metal.

Oil prices rose in early trade on Thursday, slightly paring the previous session's losses after the United States said it would reinstate oil sanctions Venezuela, while the European Union talked of fresh curbs on Iran.

# 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 10.03  
 6M 10.22  
 1Y 10.23

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	103.87 Bn
Foreign holding LKR bills/bonds	85.41 Bn

	O/N	1M	3M	6M	12M
USD SOFR	5.3100	5.3188	5.3265	5.3015	5.2100
EUR ESTR	3.9040	3.9080	3.8330	3.6940	3.4320
GBP SONIA	5.1984	5.2032	5.2040	5.1653	5.0672

## 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](mailto:forex@hnb.lk) Fax: 2664854 Fitch Rating: A(Ika.)