

TREASURY COMMENTARY – 22nd April 2024

DOMESTIC MARKET

USD/LKR

The USD/LKR market is active and is trading around the level of 297.50 and 305.50. The rupee has appreciated by approximately 6.97% against the USD from the beginning of the year.

USD/LKR Market Volume (USD Mn) on 19.04.2024

Cash	0.35
Tom	4.0
Spot	8.5
Forward	12.6

MONEY

Overnight call-money traded at 8.62% on Friday (19.04.2024). Net market liquidity was a surplus of Rs 134.03 Bn on Friday from a surplus of Rs 155.26 Bn on Thursday.

GLOBAL MARKETS

FOREIGN EXCHANGE

The euro and yen were relatively steady in early Asian trading on Monday and the U.S. dollar stayed near its highs after last week's hectic policy and geopolitical developments.

Eyes are on the yen this week, with the Bank of Japan's (BOJ) Friday policy review the notable item on the economic calendar. The yen hit 154.70 per dollar, not far from last week's 34-year low of 154.79 and close enough to the 155-level that is next on traders' alerts for possible intervention by Japanese authorities.

The dollar's trade-weighted index was above 106, but off five-month highs it struck last week after comments from Federal Reserve officials and a run of hotter-than-expected inflation data forced a paring back of rate cut expectations.

The yen has been one of the biggest losers against the dollar this year, with losses mounting to 9%. Yet, while the rethink on Fed easing has led to a general repricing of global rate cut timelines, expectations for the European Central Bank (ECB) and Bank of England (BoE) to start cutting by mid-year are still intact. BoE Governor Andrew Bailey and Deputy Governor Dave Ramsden alluded last week to Britain's inflation slowing as expected. Sterling hit \$1.2367, a mid-November low, on Friday. It was last at \$1.2383.

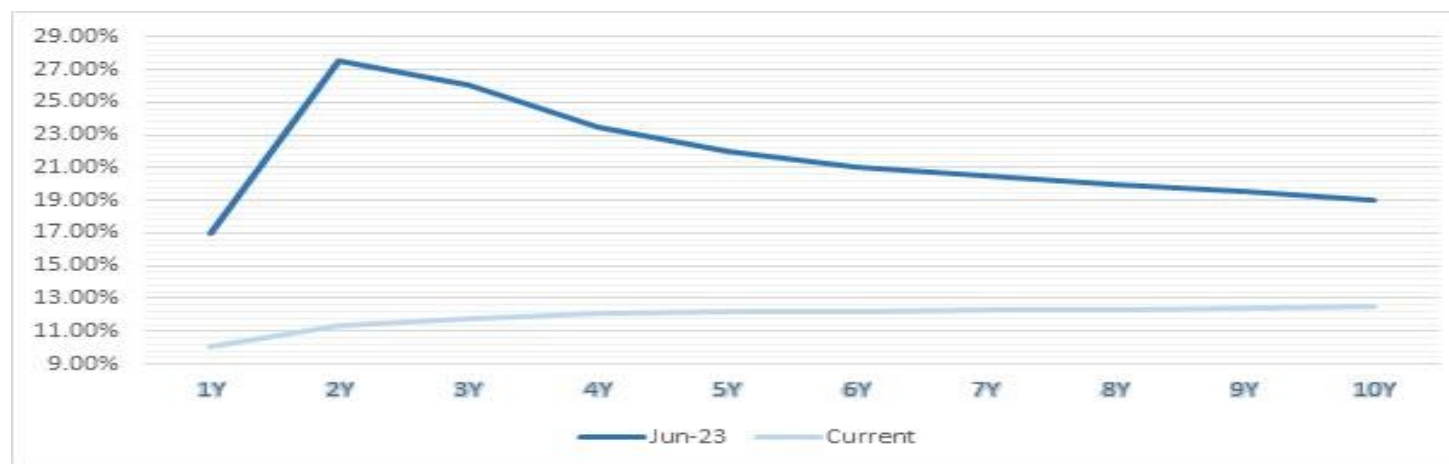
COMMODITIES

Gold prices edged lower on Monday as higher U.S. Treasury yields weighed on dollar-priced bullion, while investors kept a close watch on any potential escalation in the Middle East conflict.

Oil prices fell at Asia's open on Monday, dragged down by a renewed focus on market fundamentals, as Israel and Iran played down the risks of an escalation of hostilities in the Middle East after Israel's apparently small strike on Iran.

ECONOMIC INDICATORS

Bond Curve



AWPLR %		AWDR %		T BILL%	
Week ending 19/04	10.41	Mar 2024	10.30	3M	10.03
Week ago	10.63	Feb 2024	10.80	6M	10.22
Year ago	21.45	Year ago	15.06	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	134.03 Bn
Foreign holding LKR bills/bonds	89.27 Bn

	O/N	1M	3M	6M	12M
USD SOFR	5.3000	5.3169	5.3264	5.3029	5.2145
EUR ESTR	3.9050	3.9080	3.8240	3.6850	3.4360
GBP SONIA	5.1984	5.2010	5.1928	5.1378	5.0240

TREASURY DIVISION Level-11

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