

TREASURY COMMENTARY – 09th May 2024

DOMESTIC MARKET

USD/LKR

The USD/LKR market is active and is trading around the level of 294.25 and 302.25. The rupee has appreciated by approximately 7.97% against the USD from the beginning of the year.

USD/LKR Market Volume (USD Mn) on 08.05.2024

Cash	8.5
Tom	1.0
Spot	22.0
Forward	11.00

MONEY

Overnight call-money traded at 8.64% on Wednesday (08.05.2024). Net market liquidity was a surplus of Rs 173.65 Bn on Wednesday from a surplus of Rs 168.95 Bn on Tuesday.

GLOBAL MARKETS

FOREIGN EXCHANGE

The dollar held tight ranges against most peers in Asian trading on Thursday as traders awaited key U.S. inflation data for cues on Federal Reserve policy, while the focus on the massive interest rate gap between Japan and the U.S. helped it make some gains on the yen.

Against the Japanese yen, the dollar slowly inched up after it fell more than 3% last week, its biggest weekly percentage drop since early December 2022. Last week's Fed policy meeting and downside surprise in U.S. job growth have markets increasing bets for two rate cuts this year.

Focus swings to the April U.S. producer price index (PPI) and the consumer price index (CPI) out next week, which markets will watch for signs that inflation has resumed its downward trend toward the Fed's 2% target rate.

The dollar index rose to 0.05% to 105.55, while the Japanese yen was mostly flat at 155.59 per greenback.

Sterling was down 0.07% at \$1.2487 ahead of the Bank of England's policy decision later on Thursday.

The BOE is likely to take another step towards its first interest rate cut in four years as inflation falls. The big question for investors is whether the BOE suggests that a cut could come in June - when the European Central Bank has already signalled it will reduce borrowing costs.

The euro was steady at \$1.0743.

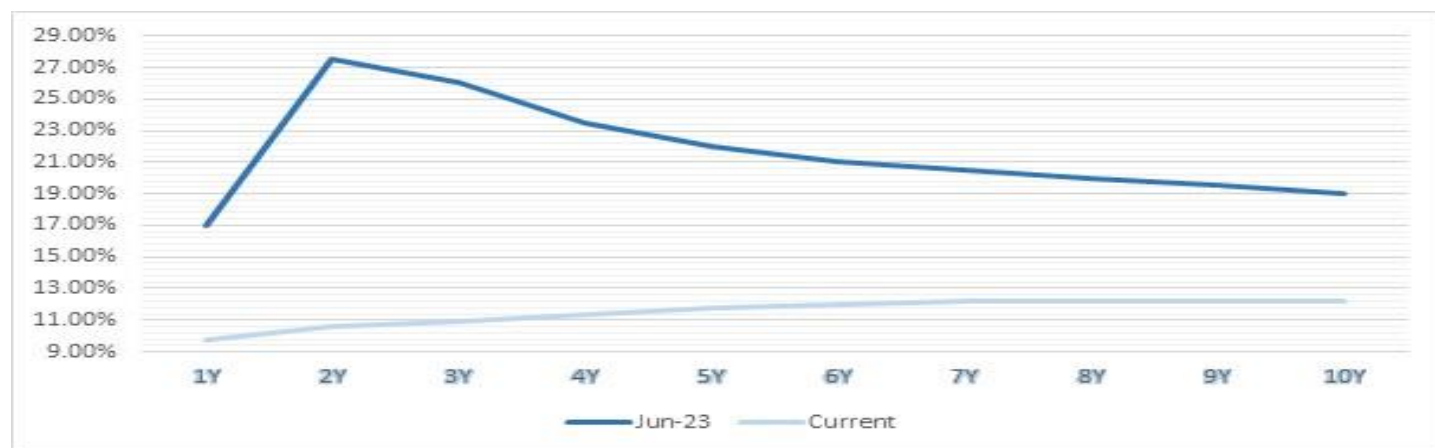
COMMODITIES

Gold prices were flat on Thursday, as investors turned their focus to U.S. economic data that could offer additional insights into the timing of the Federal Reserve's potential interest rate cuts.

Oil prices rose in early trade on Thursday as shrinking U.S. crude inventories signalled tighter supply, and amid rising hopes that the Federal Reserve would cut interest rates by the end of the year.

ECONOMIC INDICATORS

Bond Curve



AWPLR %
 Week ending 03/05 **10.15**
 Week ago 10.13
 Year ago 20.84

AWDR %
 Apr **2024** 9.66
 Mar **2024** 10.30
 Year ago 15.12

T BILL%
 3M 9.43
 6M 9.76
 1Y 9.90

INFLATION (%) (Base:2021=100)	Feb 2024	Mar 2024	Apr 2024	Year ago
NCPI (YoY)	5.1	2.5	-	49.2
NCPI (core)	2.7	3.4	-	44.2
CCPI(YoY)	5.9	0.9	1.5	35.3
CCPI (core)	2.8	3.1	3.4	27.80

CBSL reserves (USD) – MAR 24"	4,960 Bn
CBSL T-bill/bond holding	2,655.62 Bn
Market liquidity	173.65 Bn
Foreign holding LKR bills/bonds	84.13 Bn

	O/N	1M	3M	6M	12M
USD SOFR	5.3100	5.3208	5.3255	5.2935	5.1491
EUR ESTR	3.9090	3.9130	3.7620	3.6380	3.4190
GBP SONIA	5.2000	5.1967	5.1530	5.0755	4.9210

TREASURY DIVISION Level-11

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