

## TREASURY COMMENTARY – 10<sup>th</sup> 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 09.05.2024

|         |       |
|---------|-------|
| Cash    | 5.0   |
| Tom     | 1.0   |
| Spot    | 36.25 |
| Forward | 20.75 |

#### MONEY

Overnight call-money traded at 8.64% on Thursday (09.05.2024). Net market liquidity was a surplus of Rs 171.05 Bn on Thursday from a surplus of Rs 173.65 Bn on Wednesday.

### GLOBAL MARKETS

#### FOREIGN EXCHANGE

The U.S. dollar had a soft tone in early Asian trading on Friday after losing ground overnight to the euro and sterling on the back of U.S. data showing further signs of a cooling labour market and hence higher odds of Fed rate cuts this year.

Against the Japanese yen, the dollar was trading at 155.39 yen, down from highs of 155.95 hit in the previous session.

The euro stood at \$1.0782, after a 0.3% gain overnight.

The dollar index, which measures the greenback against a basket of currencies including the yen and the euro, was flat at 105.25.

Alongside a light rally in U.S. Treasuries and commodities, most major currencies rose, including a yen that has been hobbled by its low yields and sterling which had appeared vulnerable after a dovish Bank of England policy review.

The dollar weakened against most currencies on Friday after economic data showed more signs of softening in the U.S. labor market, while the pound rebounded from earlier lows after the Bank of England opened the door for an interest rate cut.

Sterling traded at \$1.2525. It had gained 0.2% in the wake of the U.S. data, recovering from a low of \$1.2446, its weakest since April 24, after the Bank of England (BoE) paved the way for an interest rate cut.

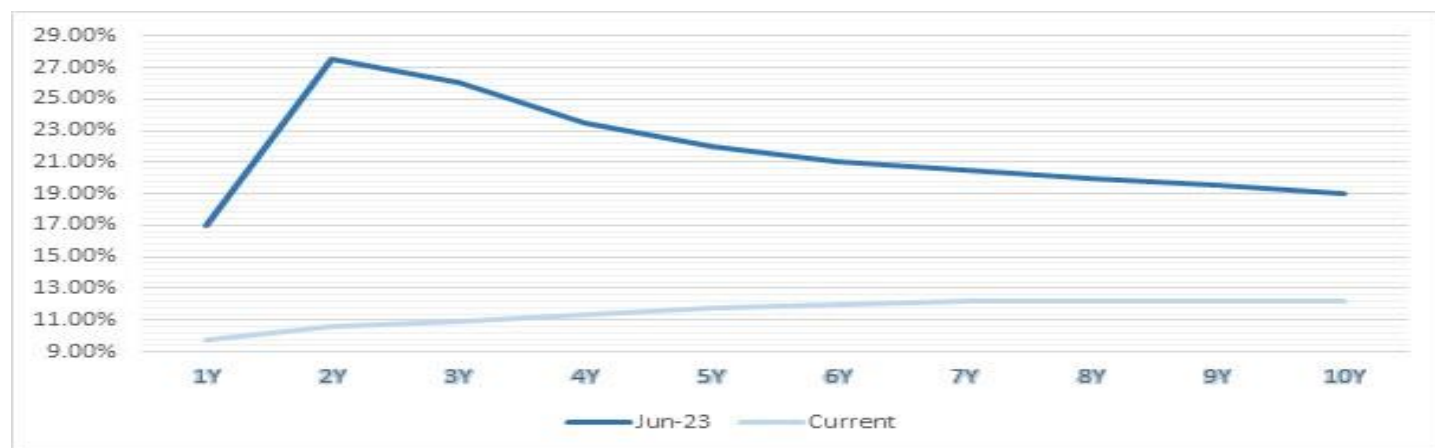
#### COMMODITIES

Gold prices climbed over 1% on Friday after fresh Labor Department data indicated that the number of Americans filing new unemployment claims rose more than expected last week, buttressing bets of a rate cut by the Federal Reserve this year.

Oil prices rose on Friday, continuing upwards trend on the signs of improving economy in China and as negotiations to halt hostilities in the stand-off between Israel and Hamas yielded no results.

# 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 171.05 Bn

Foreign holding LKR bills/bonds 84.13 Bn

|           | O/N    | 1M     | 3M     | 6M     | 12M    |
|-----------|--------|--------|--------|--------|--------|
| USD SOFR  | 5.3100 | 5.3209 | 5.3235 | 5.2898 | 5.1496 |
| EUR ESTR  | 3.9090 | 3.9130 | 3.7580 | 3.6410 | 3.4270 |
| GBP SONIA | 5.2000 | 5.1940 | 5.1450 | 5.0658 | 4.9140 |

## TREASURY DIVISION

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