

TREASURY COMMENTARY – 14th May 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 13.05.2024

| | |
|---------|------|
| Cash | - |
| Tom | 1.00 |
| Spot | 7.50 |
| Forward | 2.50 |

MONEY

Overnight call-money traded at 8.63% on Monday (13.05.2024). Net market liquidity was a surplus of Rs 165.30 Bn on Monday from a surplus of Rs 181.90 Bn on Friday.

GLOBAL MARKETS

FOREIGN EXCHANGE

The dollar was steady in Asian Trading on Tuesday as investors awaited an inflation report this week that will likely shape the U.S. rates outlook, while the yen was hovering near a two-week low, stoking intervention worries.

The currency market has been sedate this week, with investors seeking to gauge what the path the Federal Reserve will take this year in the wake of recent softer-than-expected U.S. labour market data.

The euro was little changed at \$1.0786 but is up 1% against the dollar so far this month, while sterling last bought \$1.2554, up roughly 0.5% so far in May.

The dollar index, which measures the U.S. currency against six rivals, was last at 105.25.

Traders are back on tenterhooks as the yen nears levels that saw suspected interventions by Tokyo. It was last at 156.32 per U.S. dollar, having touched a two-week low of 156.40 earlier in the session.

In other currencies, the Australian dollar and New Zealand dollar were both flat in early trading. The Aussie last fetched \$0.6608, while the kiwi was at \$0.6017.

The Australian and New Zealand dollars marked time on Tuesday as the world awaits the latest U.S. inflation reading, while the bond market kept an eye out for details of the Australian government's annual budget later today.

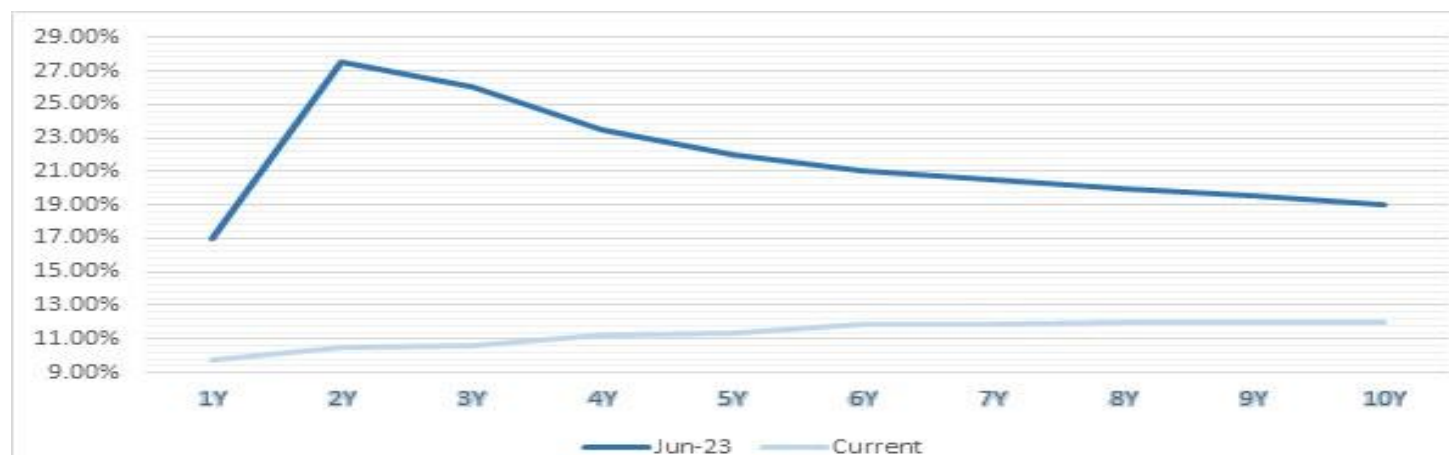
COMMODITIES

Gold prices were flat on Tuesday, as investors awaited key U.S. inflation data that could provide more clues on the Federal Reserve's policy path.

Oil prices rose on Tuesday as the supply-demand balance looked set to tighten on operational disruptions, stronger demand and voluntary output cuts.

ECONOMIC INDICATORS

Bond Curve



| AWPLR % | |
|-------------------|-------|
| Week ending 10/05 | 9.92 |
| Week ago | 10.15 |
| Year ago | 21.32 |

| 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) – APR 24" | 5.438 Bn |
| CBSL T-bill/bond holding | 2,655.62 Bn |
| Market liquidity | 165.30 Bn |
| Foreign holding LKR bills/bonds | 77.00 Bn |

| | O/N | 1M | 3M | 6M | 12M |
|-----------|--------|--------|--------|--------|--------|
| USD SOFR | 5.3100 | 5.3168 | 5.3224 | 5.2885 | 5.1520 |
| EUR ESTR | 3.9070 | 3.8970 | 3.7480 | 3.6360 | 3.4300 |
| GBP SONIA | 5.2000 | 5.2063 | 5.1230 | 5.0323 | 4.8712 |

TREASURY DIVISION Level-11

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