

## TREASURY COMMENTARY – 16<sup>th</sup> May 2024

### DOMESTIC MARKET

#### USD/LKR

The USD/LKR market is active and is trading around the level of 297.25 and 305.25. The rupee has appreciated by approximately 7.05% against the USD from the beginning of the year.

#### USD/LKR Market Volume (USD Mn) on 15.05.2024

Cash	5.00
Tom	0.5
Spot	6.0
Forward	55.7

#### MONEY

Overnight call-money traded at 8.65% on Wednesday (15.05.2024). Net market liquidity was a surplus of Rs 159.48 Bn on Wednesday from a surplus of Rs 173.63 Bn on Tuesday.

### GLOBAL MARKETS

#### FOREIGN EXCHANGE

The dollar skidded to multi-month lows in Asian trading on Thursday after U.S. core inflation hit its slowest in three years and retail sales turned flat, which pulled forward expectations for rate cuts in the world's biggest economy.

Stocks and other risk-sensitive assets such as the Australian dollar led gains in the wake of the data release. The Aussie rose 1% overnight in its sharpest one-day jump for the year, and tacked on a further 0.1% in early Asia trade to hit a four-month high of \$0.67.

The euro, which climbed 0.6% overnight, edged up to a two-month high at \$1.0890. The New Zealand dollar hit a two-month high at \$0.6131. Sterling made a one-month high at \$1.2694.

The battered yen earned a reprieve and traded at its strongest on the dollar for a week at 154.25.

Core U.S. inflation slowed to an annualized 3.6% in April, Wednesday's data showed, in line with market expectations. That is well above the Federal Reserve's 2% goal, but since it eased from 3.8% a month earlier investors saw it as opening the way for a rate cut as soon as September or perhaps even earlier, as the U.S. presidential election looms in November.

The U.S. dollar index made its heaviest one-day percentage drop for the year so far overnight, falling 0.75% and through its 200-day moving average. It was at a five-week low of 104.17 in early Asia trade on Tuesday.

China's yuan rallied slightly in offshore trade to 7.2081 per dollar.

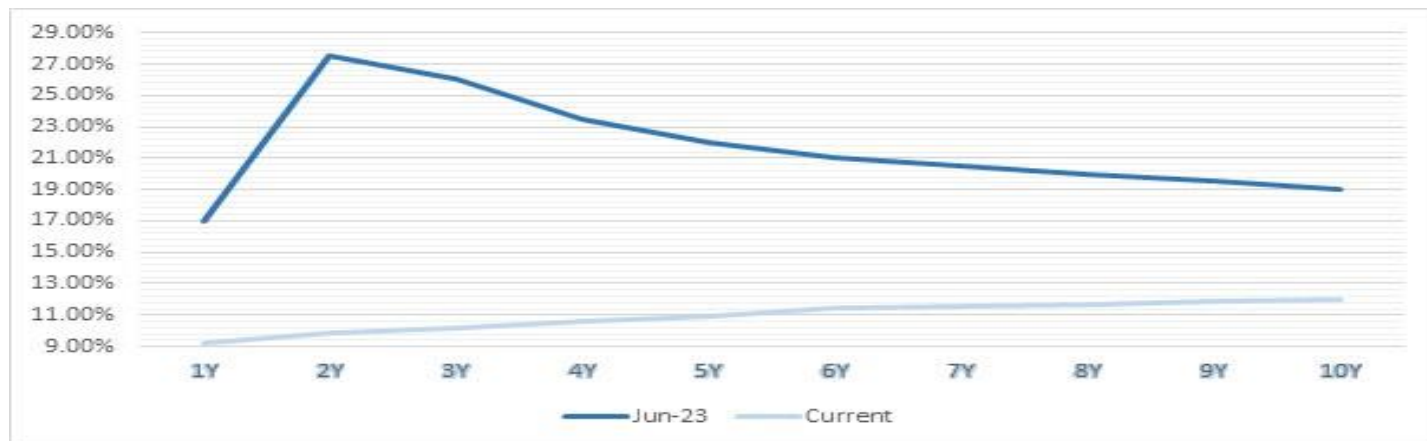
#### COMMODITIES

Gold prices edged higher on Thursday, supported by a softer dollar and lower Treasury yields after data signalled cooling U.S. inflation, bolstering bets for an interest rate cut by the Federal Reserve

Oil prices extended gains from the previous session on Thursday on signs of stronger demand in the U.S. where data showed slower inflation than markets expected, strengthening the argument for an interest rate cut which could result in even stronger demand.

# 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** 9.04  
**6M** 9.43  
**1Y** 9.57

### 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	159.48 Bn
Foreign holding LKR bills/bonds	77.00 Bn

	O/N	1M	3M	6M	12M
USD SOFR	5.3100	5.3205	5.3293	5.2957	5.1564
EUR ESTR	3.9080	3.8760	3.7410	3.6280	3.4270
GBP SONIA	5.2000	5.2083	5.1266	5.0410	4.8810

### 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.)