

TREASURY COMMENTARY – 17th 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 16.05.2024

Cash	7.30
Tom	2.50
Spot	18.60
Forward	13.50

MONEY

Overnight call-money traded at 8.65% on Thursday (16.05.2024). Net market liquidity was a surplus of Rs 138.94 Bn on Thursday from a surplus of Rs 159.48 Bn on Wednesday.

GLOBAL MARKETS

FOREIGN EXCHANGE

The dollar headed for its largest weekly fall versus the euro in two-and-a-half months in Asian Trading on Friday as signs of cooling inflation and a softening U.S. economy raised the prospect of rate cuts.

The euro is up 0.9% on the dollar this week, has broken above resistance around \$1.0855 and traded as high as \$1.0895 in the wake of U.S. inflation posting a slowdown, was traded at \$1.0861 in early Asian Trading.

April's annual U.S. inflation numbers met expectations but, since they were lower than the month before, they encouraged confidence that the Federal Reserve can cut interest rates in September and December - driving rallies in stocks and bonds and pressure on the dollar.

The Australian and New Zealand dollars are each up more than 1% on the U.S. dollar this week, with the kiwi up 1.7% and eyeing its best week of the year. At \$0.6675, the Aussie was knocked from a four-month high as a surprise rise in unemployment figures seemed to curtail any risk of another rate hike. The New Zealand dollar was last steady at \$0.6120 with traders looking ahead to next week's central bank meeting, where the official cash rate is expected to stay at 5.5%.

Sterling is up 1.1% this week to \$1.2664. The Japanese yen has been broadly steady at 155.48.

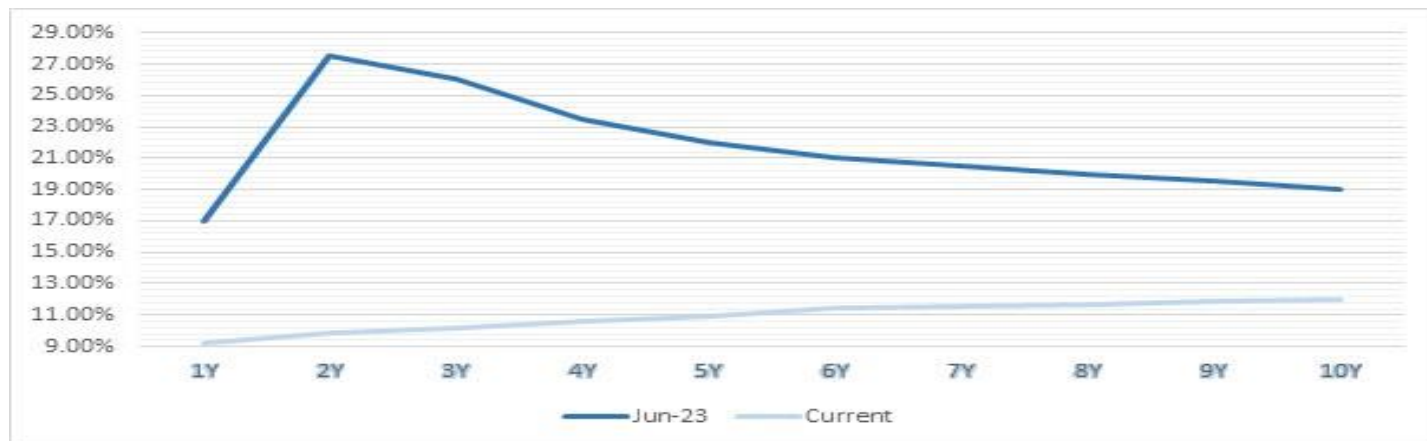
COMMODITIES

Gold prices held steady on Friday and were on track for a second consecutive weekly gain, as recent U.S. economic data prompted traders to raise bets of an interest rate cut from the Federal Reserve later this year.

Oil prices rose in Asian trading hours on Friday, with global benchmark Brent set for its first weekly increase in three weeks on signs of improving global demand and slowing inflation in top oil consumer the United States.

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	138.94 Bn
Foreign holding LKR bills/bonds	77.00 Bn

	O/N	1M	3M	6M	12M
USD SOFR	5.3100	5.3200	5.3257	5.2781	5.1061
EUR ESTR	3.9080	3.8730	3.7330	3.6230	3.4150
GBP SONIA	5.2000	5.2086	5.1186	5.0267	4.8570

TREASURY DIVISION

Level-11

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