

TREASURY COMMENTARY – 20th May 2024

DOMESTIC MARKET

USD/LKR

The USD/LKR market is active and is trading around the level of 295.00 and 303.00. The rupee has appreciated by approximately 7.74% against the USD from the beginning of the year.

USD/LKR Market Volume (USD Mn) on 17.05.2024

Cash	9.05
Tom	1.0
Spot	14.5
Forward	12.5

MONEY

Overnight call-money traded at 8.65% on Friday (17.05.2024). Net market liquidity was a surplus of Rs 151.61 Bn on Friday from a surplus of Rs 138.94 Bn on Thursday.

GLOBAL MARKETS

FOREIGN EXCHANGE

The dollar was broadly steady in Asian trading on Monday as investors awaited further clues to help chart the U.S. interest rate path in the wake of cautious comments from Federal Reserve officials, even as inflation shows signs of cooling.

The Japanese yen started the week on the back foot, weakening a bit to 155.80 per dollar as traders remain on tenterhooks for signs of government intervention. The currency has moved in tight ranges in the past couple of trading days.

Data last week showed U.S. consumer prices for April eased, leading to markets pricing in 50 basis points (bps), or at least two rate cuts this year, but various Fed officials have sounded words of caution about when rates may fall. Traders, as a result, are betting on about 46 bps of easing this year, with only a rate cut in November fully priced in.

On Monday, the euro was up 0.07% at \$1.087525 in early trading, stalking the nearly two-month high of \$1.0895 it touched last week. The dollar index, which measures the U.S. currency against six rivals, was little changed at 104.46.

In other currencies, sterling was last at \$1.2705, just shy of the nearly two-month high it touched on Friday.

The Australian dollar was up 0.14% at \$0.6703, while the New Zealand dollar was little changed at \$0.61315.

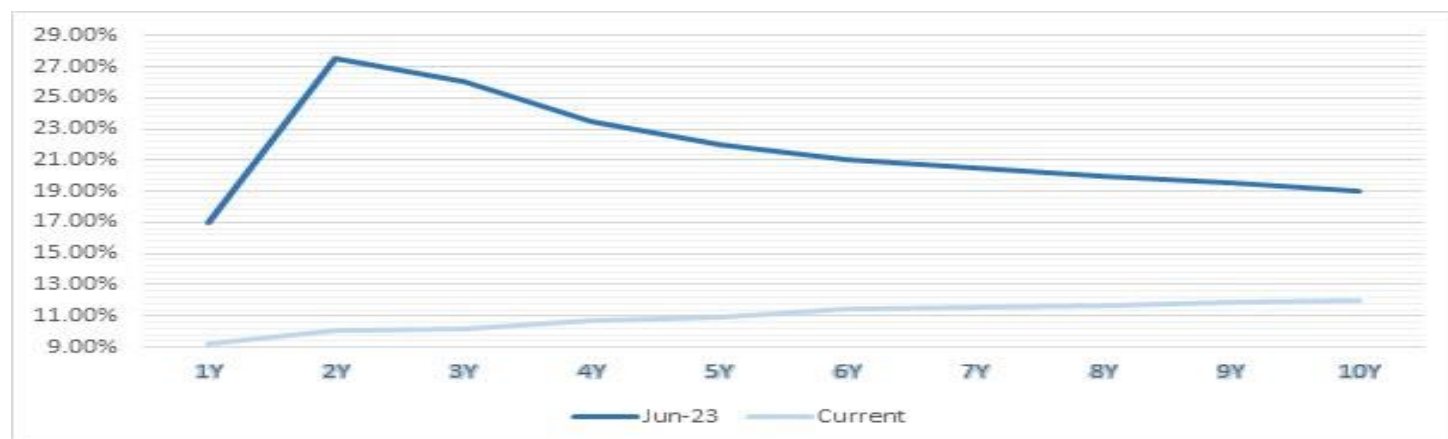
COMMODITIES

Gold prices, aided by China's stimulus measures, looked poised to clock their second consecutive weekly gain on Friday on renewed hopes for U.S. interest rate cuts, with silver breaking the \$30 barrier to hit an 11-year high.

Oil prices rose in early Asian trading on Monday, adding to last week's gains as rescuers searched for Iran's president after a helicopter crash in the oil-producing nation and after the U.S. bought crude to help refill the national stockpile.

ECONOMIC INDICATORS

Bond Curve



AWPLR %
 Week ending 17/05 **9.65**
 Week ago 9.92
 Year ago 20.34

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	151.61 Bn
Foreign holding LKR bills/bonds	75.85 Bn

	O/N	1M	3M	6M	12M
USD SOFR	5.3100	5.3197	5.3258	5.2832	5.1225
EUR ESTR	3.9080	3.8490	3.7240	3.6120	3.3960
GBP SONIA	5.2000	5.2084	5.1141	5.0284	4.8695

TREASURY DIVISION Level-11

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