

TREASURY COMMENTARY – 22nd May 2024

DOMESTIC MARKET

USD/LKR

The USD/LKR market is active and is trading around the level of 295.50 and 303.50. The rupee has appreciated by approximately 7.59% against the USD from the beginning of the year.

USD/LKR Market Volume (USD Mn) on 21.05.2024

Cash	6.00
Tom	8.68
Spot	10.70
Forward	12.00

MONEY

Overnight call-money traded at 8.65% on Tuesday (21.05.2024). Net market liquidity was a surplus of Rs 145.88 Bn on Tuesday from a surplus of Rs 134.53 Bn on Monday.

GLOBAL MARKETS

FOREIGN EXCHANGE

The dollar was steady against a handful of peers in Asian Trading on Wednesday, as the market assessed calls for patience from Federal Reserve officials and awaited the publication of Fed minutes for more insight on the central bank's path.

Meanwhile, the kiwi inched up as traders awaited the Reserve Bank of New Zealand's monetary policy decision.

The dollar index was firm at 104.61 against a basket of currencies, after popping up briefly to 104.76 overnight.

The euro was up 0.04% at \$1.0858, with focus on Thursday's data from the European Central Bank negotiated wage tracker and the euro zone Purchasing Managers' Index.

Sterling was last trading at \$1.2713, up 0.05% on the day and not far off a two-month high touched on Tuesday as the market awaited a key UK inflation report due later in the day.

Against the yen, the dollar was flat at 156.20, as traders took a breather from testing the currency pair.

The yen was unchanged after data showed Japan's exports rose 8.3% in April from a year earlier.

The New Zealand dollar rose 0.12% versus the greenback at \$0.610.

The Australian dollar was up 0.05% at \$0.6670.

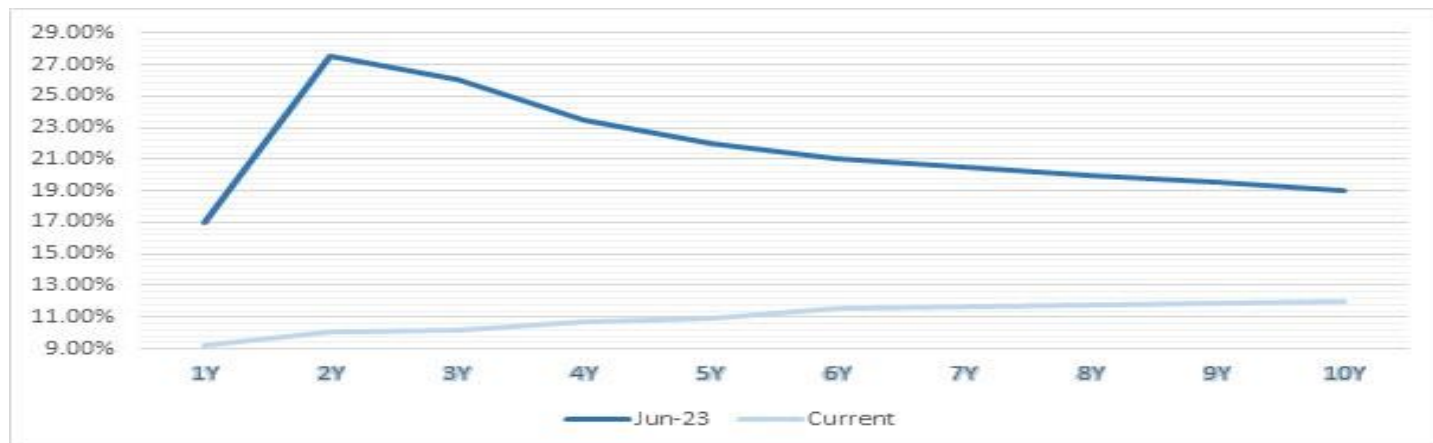
COMMODITIES

Gold prices were steady on Wednesday and hovered above key \$2,400 level touched earlier this week, supported by safe-haven buying and the prospect of interest rate cuts from the U.S. Federal Reserve later this year.

Oil prices fell for a third straight session on Wednesday on expectations the Federal Reserve could keep U.S. interest rates higher for longer due to sustained inflation, potentially impacting fuel use in the world's largest oil consumer.

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 8.76
 6M 9.17
 1Y 9.29

INFLATION (%) (Base:2021=100)	Feb 2024	Mar 2024	Apr 2024	Year ago
NCPI (YoY)	5.1	2.5	2.7	33.6
NCPI (core)	2.7	3.4	-	31.8
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	145.88 Bn
Foreign holding LKR bills/bonds	75.85 Bn

	O/N	1M	3M	6M	12M
USD SOFR	5.3100	5.3223	5.3295	5.2947	5.1581
EUR ESTR	3.9070	3.8230	3.7190	3.6160	3.4300
GBP SONIA	5.2000	5.2042	5.1161	5.0371	4.8860

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 Fax: 2664854 Fitch Rating: A(Ika.)