

TREASURY COMMENTARY – 24th July 2024

DOMESTIC MARKET

USD/LKR

The USD/LKR market is active and is trading around the level of 300.00 and 307.00. The rupee has appreciated by approximately 6.35% against the USD from the beginning of the year.

USD/LKR Market Volume (USD Mn) on 23.07.2024

| | |
|---------|------|
| Cash | 0.6 |
| Tom | 3.25 |
| Spot | 9.75 |
| Forward | 6.5 |

MONEY

Overnight call-money traded at 8.76% on Tuesday (23.07.2024). Net market liquidity was a surplus of Rs 52.63 Bn on Tuesday from a surplus of Rs 111.43 Bn on Monday.

GLOBAL MARKETS

FOREIGN EXCHANGE

Commodity currencies touched multi-week lows in Asian trading on Wednesday tracking weakness in Chinese demand, while the yen has surged as short-sellers bail out ahead of a central bank meeting.

The euro held at \$1.0848 in Asia trade and sterling, which could rally if PMIs in Britain surprise to the upside and reduce bets on rate cuts, bought \$1.2901.

Markets price a 44% chance of a 10 basis point rate hike in Japan next week and speculators, having also been rumbled by a few rounds of suspected currency intervention from Japan, are closing what had been profitable "carry trades" funded in yen. Dollar/yen fell nearly 1% to 155.55 overnight and traded nearby at 155.78 early in the Asia session. Moves in other pairs were even larger, with the euro dropping 1.3% on the yen overnight and hitting a five-week low of 168.79 yen in Asia.

Further ahead traders are waiting on U.S. GDP and core PCE data due later in the week to test expectations for two U.S. rate cuts over the rest of this year. Next week's second-quarter inflation data in Australia will be crucial for pricing the risk of another interest rate hike.

The Aussie touched a five-week low just below \$0.6612 in early trade on Wednesday. The New Zealand dollar hovered near Tuesday's two-and-a-half month low of \$0.5951.

The Canadian dollar made a six-week low of C\$1.3787 per dollar ahead of a central bank meeting later on Wednesday where markets have priced an 84% chance of a 25 basis point rate cut.

At 104.5 the U.S. dollar index was close to a two-week high. China's yuan was steady at 7.2909 in offshore trade.

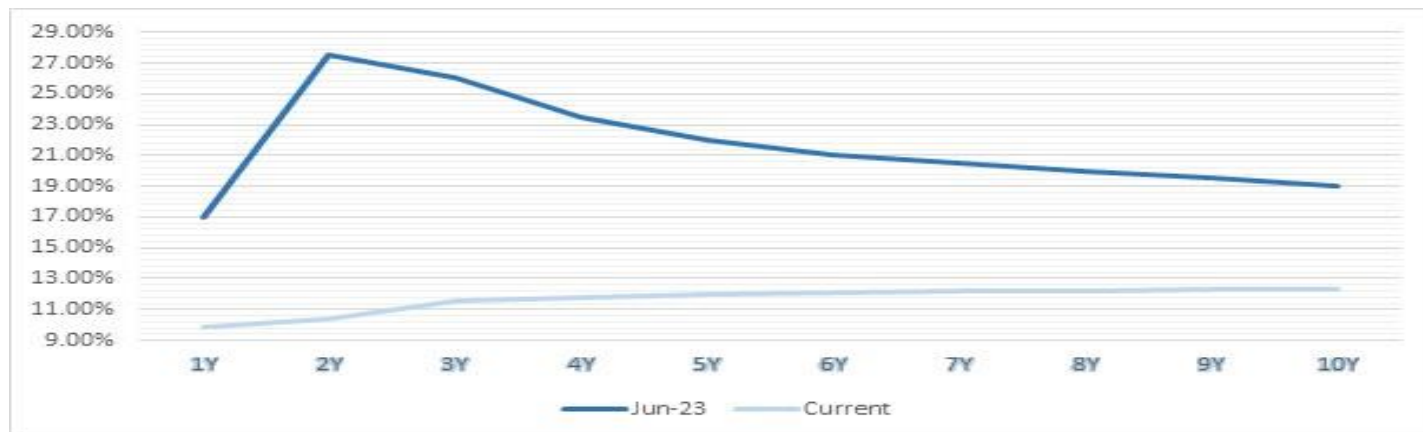
COMMODITIES

Gold prices were flat in early Asian trade on Wednesday, with investors awaiting U.S. economic data that could influence the Federal Reserve's rate-cut timeline.

Falling U.S. crude inventories caused oil prices to rebound on Wednesday after several days of decline, while expectations for a nearing ceasefire deal in the Middle East kept prices from continuing to climb.

ECONOMIC INDICATORS

Bond Curve



AWPLR %

Week ending 19/07 **9.12**
 Week ago 8.85
 Year ago 17.76

AWDR %

Jun **2024** 8.38
 May **2024** 9.05
 Year ago 15.09

T BILL%

3M 9.55
6M 9.78
1Y 10.07

INFLATION (%)

(Base:2021=100)

| | Apr 2024 | May 2024 | Jun 2024 | Year ago |
|-------------|----------|----------|----------|----------|
| NCPI (YoY) | 2.7 | 1.6 | 2.4 | 10.80 |
| NCPI (core) | 3.0 | 3.1 | - | 11.30 |
| CCPI(YoY) | 1.5 | 0.9 | 1.7 | 12.0 |
| CCPI (core) | 3.4 | 3.5 | 4.4 | 9.80 |

| | |
|---------------------------------|-------------|
| CBSL reserves (USD) – June 24" | 5.642 Bn |
| CBSL T-bill/bond holding | 2,595.62 Bn |
| Market liquidity | 52.63 Bn |
| Foreign holding LKR bills/bonds | 52.67 Bn |

| | O/N | 1M | 3M | 6M | 12M |
|-----------|--------|--------|--------|--------|--------|
| USD SOFR | 5.3300 | 5.3495 | 5.2846 | 5.1440 | 4.8373 |
| EUR ESTR | 3.6570 | 3.6620 | 3.5960 | 3.4810 | 3.2430 |
| GBP SONIA | 5.2000 | 5.1370 | 5.1062 | 5.0213 | 4.8318 |

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