

TREASURY COMMENTARY – 01st August 2024

DOMESTIC MARKET

USD/LKR

The USD/LKR market is active and is trading around the level of 299.00 and 306.00. The rupee has appreciated by approximately 6.66% against the USD from the beginning of the year.

USD/LKR Market Volume (USD Mn) on 31.07.2024

Cash	1.6
Tom	2.75
Spot	21.55
Forward	7.75

MONEY

Overnight call-money traded at 8.55% on Wednesday (31.07.2024). Net market liquidity was a surplus of Rs 98.73 Bn on Wednesday from a surplus of Rs 40.58 Bn on Tuesday.

GLOBAL MARKETS

FOREIGN EXCHANGE

The U.S. dollar was soft in Asian trading on Thursday after the Federal Reserve opened the door for an interest rate cut in September, helping keep the yen pinned near its highest since March in the wake of a hawkish pivot from the Bank of Japan.

An action-packed Wednesday started with the BOJ raising Japan rates to levels not seen in 15 years, leading to traders reassessing popular carry trades before the Fed held rates steady but put rate cuts on the table as US inflation cools.

Markets have been fully pricing in a 25 basis points (bps) of rate cut in September for some time and added to wagers of the Fed going big even after Powell said policymakers are not thinking about a 50-basis-point interest rate cut "right now."

The dollar index, which measures the U.S. currency against six peers, was little changed at 104.02, having dropped 0.38% on Wednesday. The index fell 1.7% in July, its weakest monthly performance this year.

The euro last fetched \$1.0825 after rising 1% in July, while sterling was at \$1.2852 ahead of the policy decision from the Bank of England, where the central bank could cut rates but markets and economists remain far from certain.

The yen rose to 149.515 per dollar in early trading, its highest since mid-March after a 1% jump on Wednesday as the BOJ Governor Kazuo Ueda did not rule out another hike this year.

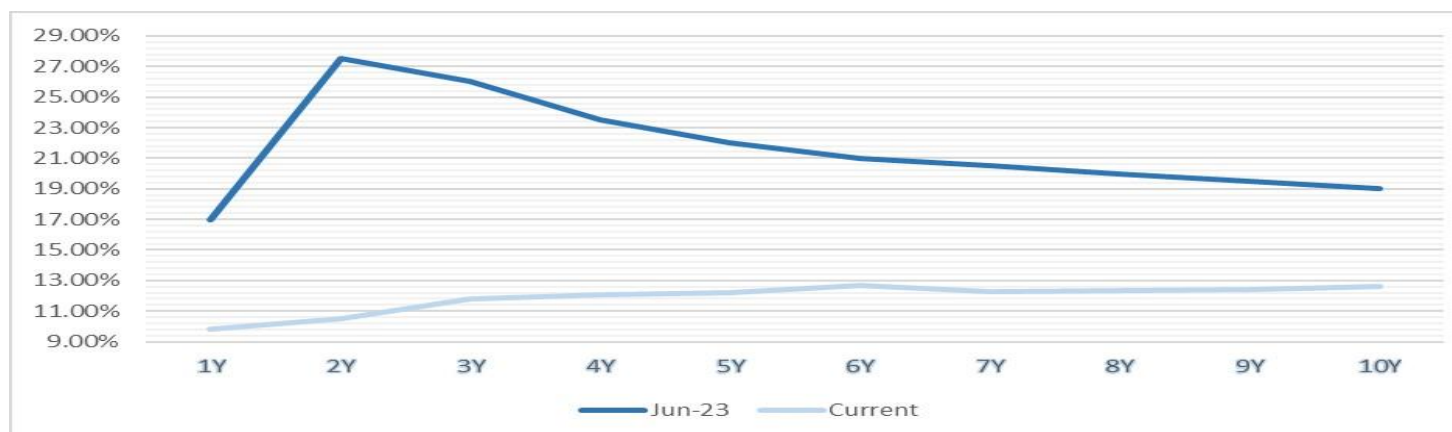
COMMODITIES

Gold prices climbed to a two-week high on Thursday as U.S. Federal Reserve Chair Jerome Powell opened the door to cutting interest rates as early as September.

Oil prices rose in early Asian trading on Thursday, extending strong gains in the previous session after the killing of a Hamas leader in Iran raised the threat of a wider Middle East conflict and on signs of strong oil demand in the U.S.

ECONOMIC INDICATORS

Bond Curve



AWPLR %
 Week ending 26/07 **8.81**
 Week ago 9.12
 Year ago 17.18

AWDR %
 July **2024** 8.04
 Jun **2024** 8.38
 Year ago 14.76

T BILL%
 3M 9.14
 6M 9.34
 1Y 9.95

INFLATION (%)
 (Base:2021=100)

	May 2024	Jun 2024	July 2024	Year ago
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NCPI (YoY)	1.6	2.4	-	10.80
NCPI (core)	3.1	3.9	-	11.30
CCPI(YoY)	0.9	1.7	2.4	6.3
CCPI (core)	3.5	4.4	4.4	5.9

CBSL reserves (USD) – June 24"	5.642 Bn
CBSL T-bill/bond holding	2,575.62 Bn
Market liquidity	98.73 Bn
Foreign holding LKR bills/bonds	51.98 Bn

	O/N	1M	3M	6M	12M
USD SOFR	5.3300	5.3425	5.2411	5.0755	4.7354
EUR ESTR	3.6620	3.6640	3.5570	3.4110	3.1150
GBP SONIA	5.2000	5.0655	5.0361	4.9274	4.6903

TREASURY DIVISION Level-11

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