

## TREASURY COMMENTARY – 08<sup>th</sup> August 2024

### DOMESTIC MARKET

#### USD/LKR

The USD/LKR market is active and is trading around the level of 298.00 and 305.00. The rupee has appreciated by approximately 6.97% against the USD from the beginning of the year.

#### USD/LKR Market Volume (USD Mn) on 07.08.2024

Cash	15.85
Tom	5.75
Spot	19.60
Forward	21.00

#### MONEY

Overnight call-money traded at 8.54% on Wednesday (07.08.2024). Net market liquidity was a surplus of Rs 88.93 Bn on Wednesday from a surplus of Rs 34.23 Bn on Tuesday.

### GLOBAL MARKETS

#### FOREIGN EXCHANGE

The yen firmed in Asian Trading on Thursday after a sharp drop in the previous session in a volatile week that has left sentiment fragile as investors weigh the unwinding of popular carry trades and ponder the rate path Japan's central bank is likely to take.

The yen was last 0.53% higher at 145.95 per dollar, having dropped 1.6% on Wednesday after the Bank of Japan's Deputy Governor Shinichi Uchida played down the chance of a near-term hike in interest rates.

The sharp moves in the yen has pushed the dollar index, which measures the U.S. currency against six rivals including the yen, to 103.08, near the seven-month low of 102.15 it touched on Monday.

The euro was steady at \$1.09285, while sterling last fetched \$1.26865, hovering close to the one-month low it touched on Tuesday. The Swiss franc, another currency that was used to fund carry trades, like the yen, was slightly stronger at 0.859 per dollar, after an over 1% drop in the previous session.

Australia's central bank will not hesitate to raise interest rates if needed to control inflation, its top central banker said on Thursday, reinforcing its hawkish messaging as the pace of underlying inflation remained high. The Australian dollar was 0.14% higher at \$0.65275, while the New Zealand dollar was steady at \$0.59985

#### COMMODITIES

Gold prices edged higher on Thursday, aided by rising expectations of a U.S. interest rate cut and persistent tensions in the Middle East, while traders awaited economic data for insights into the Federal Reserve's policy path.

Oil prices edged higher on Thursday for the third straight session after government data showed a steep draw in U.S. crude stockpiles, rebounding from multi-month lows touched this week.

# ECONOMIC INDICATORS

## Bond Curve



**AWPLR %**  
 Week ending 02/08 **9.04**  
 Week ago 8.81  
 Year ago 16.96

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

**T BILL%**  
**3M** 9.22  
**6M** 9.56  
**1Y** 10.06

INFLATION (%) (Base:2021=100)	May 2024	Jun 2024	July 2024	Year ago
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"	5.654 Bn
CBSL T-bill/bond holding	2,575.62 Bn
Market liquidity	88.93 Bn
Foreign holding LKR bills/bonds	51.97 Bn

	O/N	1M	3M	6M	12M
USD SOFR	5.3300	5.3250	5.1042	4.7848	4.3114
EUR ESTR	3.6500	3.6520	3.4880	3.2750	2.8940
GBP SONIA	4.9500	4.9555	4.9177	4.7803	4.5158

### 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](mailto:forex@hnb.lk) Fax: 2664854 Fitch Rating: A(Ika.)