

TREASURY COMMENTARY – 05th September 2024

DOMESTIC MARKET

USD/LKR

The USD/LKR market is active and is trading around the level of 295.50 and 302.50. The rupee has appreciated by approximately 7.74% against the USD from the beginning of the year.

USD/LKR Market Volume (USD Mn) on 05.09.2024

Cash	10.40
Tom	5.50
Spot	23.50
Forward	8.63

MONEY

Overnight call-money traded at 8.55% on Wednesday (04.09.2024). Net market liquidity was a surplus of Rs 98.54 Bn on Wednesday from a surplus of Rs 56.76 Bn on Tuesday.

GLOBAL MARKETS

FOREIGN EXCHANGE

The dollar dipped in Asian Trading on Thursday as traders ramped up bets for a supersized rate cut from the Federal Reserve later this month, with the yen a notable outperformer on safe-haven demand as concerns over the U.S. economy's growth outlook resurfaced.

That has led to investors fleeing risky assets in search of safety, with the yen one of the biggest beneficiaries. The Japanese currency was last 0.26% stronger at 143.56 per dollar, having already gained nearly 2% for the week thus far.

The Swiss franc, also a traditional safe-haven currency, steadied at 0.8461 per dollar, though its 0.46% gain for the week to date was more subdued compared to the yen's rise.

The U.S. dollar remained on the backfoot in early Asia trade, with the euro steady at \$1.1083. Sterling was little changed at \$1.3147. The euro was forecast to fall only about 0.5%, from around \$1.11 currently to \$1.10 by end-November, according to median forecasts in the Reuters Aug. 30-Sept. 4 of 76 FX strategists.

Against a basket of currencies, the greenback fell marginally to 101.25.

In other currencies, the Australian and New Zealand dollars were weighed down by the risk off mood on Thursday. The Aussie fell 0.15% to \$0.67155, while the kiwi NZD=D3 was last 0.2% lower at \$0.6186.

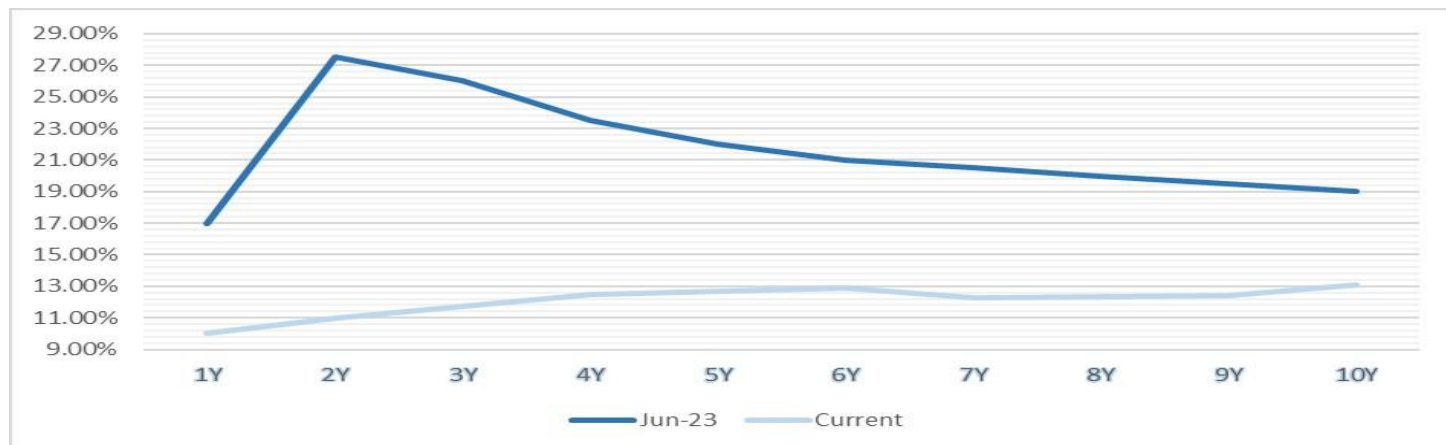
COMMODITIES

Gold prices were little changed on Thursday as investors stayed away from making big bets ahead of U.S. payrolls data that could provide further clues on the size of an expected rate cut this month.

Oil was attempting to hold its line in early trade on Thursday after an overnight sell-off, as players grappled with weak demand alongside a possible delay to more supply entering the market next month.

ECONOMIC INDICATORS

Bond Curve



AWPLR %
Week ending 30/08 9.13
Week ago 9.13
Year ago 15.29

AWDR %
August 2024 7.87
July 2024 8.04
Year ago 14.15

T BILL%
3M 9.61
6M 9.94
1Y 10.03

INFLATION (%) (Base:2021=100)	June 2024	July 2024	August 2024	Year ago
NCPI (YoY)	2.4	2.5	-	4.6
NCPI (core)	3.9	3.0	-	6.3
CCPI(YoY)	1.7	2.4	0.5	4.0
CCPI (core)	4.4	4.4	3.6	4.6

CBSL reserves (USD) – July 24"	5.652 Bn
CBSL T-bill/bond holding	2,555.62 Bn
Market liquidity	98.54 Bn
Foreign holding LKR bills/bonds	42.07 Bn

	O/N	1M	3M	6M	12M
USD SOFR	5.3400	5.1625	4.9944	4.6850	4.1939
EUR ESTR	3.6640	3.5220	3.4260	3.2530	2.8750
GBP SONIA	4.9500	4.9304	4.8652	4.7161	4.4257

TREASURY DIVISION Level-11

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