

## TREASURY COMMENTARY – 01<sup>st</sup> October 2024

### DOMESTIC MARKET

#### USD/LKR

The USD/LKR market is active and is trading around the level of 292.25 and 299.25. The rupee has appreciated by approximately 8.74% against the USD from the beginning of the year.

#### USD/LKR Market Volume (USD Mn) on 30.09.2024

Cash	21.75
Tom	5.75
Spot	72.45
Forward	12.50

#### MONEY

Overnight call-money traded at 8.65% on Monday (30.09.2024). Net market liquidity was a surplus of Rs 88.65 Bn on Monday from a surplus of Rs 102.43 Bn on Friday.

### GLOBAL MARKETS

#### FOREIGN EXCHANGE

The U.S. dollar gained against major peers on Tuesday after Federal Reserve Chair Jerome Powell pushed back overnight against bets on more supersized interest rate cuts.

The Fed's Powell adopted a more hawkish tone in a speech at a conference in Tennessee, saying the U.S. central bank would likely stick with quarter-percentage-point interest rate cuts moving forward. Traders remain certain that the Fed will cut again at the next policy setting meeting in November, but slashed expectations for a 50 basis-point (bp) reduction to 35.4% from 53.3% a day earlier.

The Fed kicked off its easing cycle with a larger-than-expected half-point reduction last month.

The euro traded not far from Monday's one-week low following a drop in German inflation to the lowest since early 2021, boosting speculation about another rate reduction this month.

The yen steadied close to the middle of its range against the dollar over the past month, after a volatile two days as traders sized up Japan's incoming prime minister and his cabinet.

Australia's dollar caught its breath following its push to the highest since February of last year on Monday, buoyed by stimulus in the country's top trading partner, China.

#### COMMODITIES

Gold price held its ground on Tuesday, following a decline of nearly 1% in the previous session, as investors awaited upcoming U.S. data for insights on potential interest rate cuts this year.

Oil prices were steady on Tuesday as the prospect of additional supply entering the market amid lacklustre global demand growth offset concerns that the escalating Middle East conflict could disrupt exports in the key producing region.

# ECONOMIC INDICATORS

## Bond Curve



AWPLR %		AWDR %		T BILL%	
Week ending 09/27	9.32	August 2024	7.87	3M	10.49
Week ago	9.38	July 2024	8.04	6M	10.72
Year ago	14.67	Year ago	14.15	1Y	10.05

INFLATION (%) (Base:2021=100)	July 2024	August 2024	September 2024	Year ago
NCPI (YoY)	2.5	1.1	-	0.8
NCPI (core)	3.0	2.3	-	1.7
CCPI(YoY)	2.4	0.5	- 0.5	1.3
CCPI (core)	4.4	3.6	3.3	1.9

CBSL reserves (USD) – August 24"	5.954 Bn
CBSL T-bill/bond holding	2,515.62 Bn
Market liquidity	85.65 Bn
Foreign holding LKR bills/bonds	39.40 Bn

	O/N	1M	3M	6M	12M
USD SOFR	4.8400	4.8457	4.5921	4.2538	3.7766
EUR ESTR	3.4140	3.3580	3.2210	2.9660	2.4940
GBP SONIA	4.9500	4.9598	4.8170	4.6550	4.3000

### TREASURY DIVISION Level-11

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