

## TREASURY COMMENTARY – 03<sup>rd</sup> July 2024

### DOMESTIC MARKET

#### USD/LKR

The USD/LKR market is active and is trading around the level of 299.00 and 307.00. The rupee has appreciated by approximately 6.51% against the USD from the beginning of the year.

#### USD/LKR Market Volume (USD Mn) on 02.07.2024

Cash	3.98
Tom	9.25
Spot	78.50
Forward	54.85

#### MONEY

Overnight call-money traded at 8.78% on Tuesday (02.07.2024). Net market liquidity was a surplus of Rs 47.12 Bn on Tuesday from a surplus of Rs 90.99 Bn on Monday.

### GLOBAL MARKETS

#### FOREIGN EXCHANGE

The dollar remained on the back foot in Asian trading on Wednesday after dovish comments from Federal Reserve Chair Jerome Powell sent U.S. bond yields lower, overshadowing a strong domestic jobs report. The euro held firm, helped by a stubbornly high local inflation reading on Tuesday. Sterling was steady ahead of Thursday's U.K. election.

However, the yen continued to languish close to a 38-year low versus the dollar, amid the increased possibility of a second Donald Trump presidency, which could likely lead to higher long-term Treasury yields.

The dollar index, which measures the currency against the euro, sterling, yen and three other major peers, was little changed at 105.66 early in the Asian session, after a 0.14% retreat in the previous session.

The euro was flat at \$1.0749, trading near the top of its range since mid-June.

Sterling held its ground at \$1.2689 after rising 0.28% on Tuesday.

The yen was at 161.54 per dollar, after slipping to the lowest since December 1986 on Tuesday at 161.745.

Meanwhile, euro zone inflation eased last month but a crucial services component remained stubbornly high, fuelling concern that domestic price pressures could stay at elevated levels.

Elsewhere, the Australian dollar rose 0.11% to \$0.6675, helped by better-than-estimated retail sales data.

China's yuan hovered close to its weakest since mid-November amid signs that local authorities are willing to tolerate its decline. In offshore trading, the yuan was flat at 7.3077 per dollar, just shy of the low reached Tuesday at 7.3094.

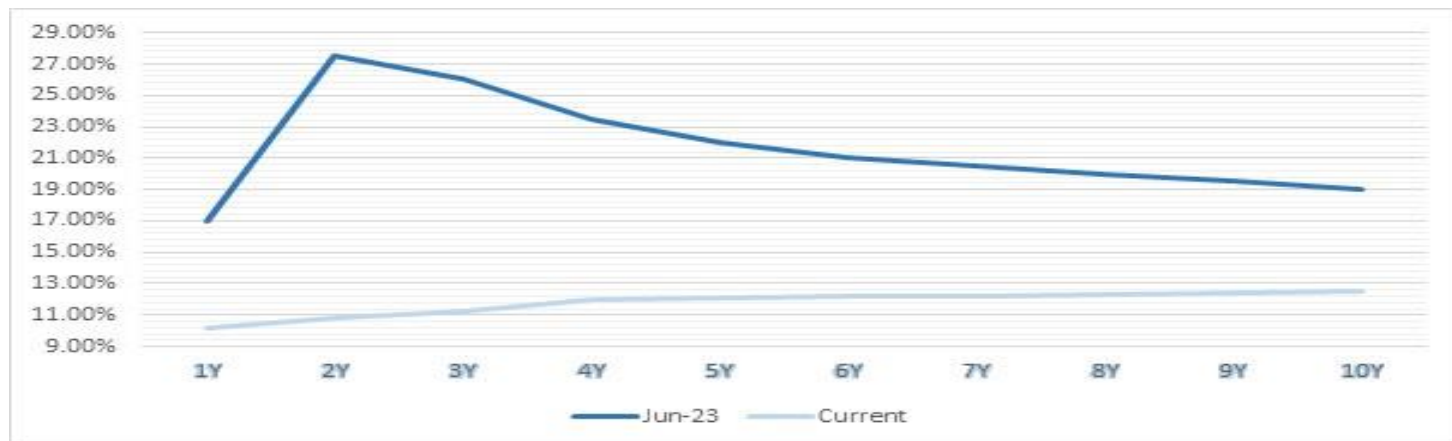
#### COMMODITIES

Gold prices were flat on Wednesday as investors awaited minutes of the Federal Reserve's last policy meeting for fresh cues on when the U.S. central bank will start cutting interest rates.

Oil prices edged higher in early Asian trade on Wednesday after industry data showed a bigger-than-expected draw in U.S. crude stockpiles, boosting hopes of solid fuel demand during the summer driving season in the top oil consuming nation.

# ECONOMIC INDICATORS

## Bond Curve



**AWPLR %**  
 Week ending 28/06 **8.78**  
 Week ago 9.09  
 Year ago 19.47

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

**T BILL%**  
 3M 10.07  
 6M 10.19  
 1Y 10.31

INFLATION (%) (Base:2021=100)	Apr 2024	May 2024	Jun 2024	Year ago
NCPI (YoY)	2.7	1.6	-	22.10
NCPI (core)	3.0	3.1	-	21.60
CCPI(YoY)	1.5	0.9	1.7	12.0
CCPI (core)	3.4	3.5	4.4	9.80

CBSL reserves (USD) – May 24"	5.410 Bn
CBSL T-bill/bond holding	2,595.62 Bn
Market liquidity	47.12 Bn
Foreign holding LKR bills/bonds	62.05 Bn

	O/N	1M	3M	6M	12M
USD SOFR	5.4000	5.3319	5.3181	5.2527	5.0502
EUR ESTR	3.6610	3.6580	3.6350	3.5450	3.3600
GBP SONIA	5.2000	5.2072	5.1215	5.0539	4.9033

## TREASURY DIVISION Level-11

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