

TREASURY COMMENTARY – 22nd 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 19.07.2024

| | |
|---------|------|
| Cash | 3.9 |
| Tom | 5.4 |
| Spot | 13.2 |
| Forward | 8.0 |

MONEY

Overnight call-money traded at 8.76% on Friday (19.07.2024). Net market liquidity was a surplus of Rs 100.08 Bn on Friday from a surplus of Rs 94.57 Bn on Thursday.

GLOBAL MARKETS

FOREIGN EXCHANGE

In Asian trading the dollar eased on Monday in the initial reaction to U.S. President Joe Biden's decision to end his reelection campaign, clearing the way for another Democrat to challenge Donald Trump.

The dollar climbed on Friday and was set to snap a two-week streak of declines as a worldwide cyber outage that affected banks, airlines and broadcasters unnerved investors, although volatility in the currency markets was largely contained.

The dollar index, which measures the greenback against a basket of currencies, gained 0.24% at 104.39 and was up 0.3% on the week.

The Federal Reserve is scheduled for its next policy announcement at the end of July. Markets expect only a slight chance for a cut of at least 25 basis points (bps), while almost completely pricing in a cut at its September meeting, according to CME's FedWatch Tool.

The U.S. currency slipped 0.08% to 157.38 yen early in the Asian day, while the euro gained 0.11% to \$1.0895. The euro was down 0.16% at \$1.0878 and set to snap a two-week win streak, a day after the European Central Bank kept rates steady, as was widely expected and gave no insight into its next move.

Sterling weakened 0.25% at \$1.2909, retreating further from a one-year high hit earlier this week, after data showed UK retail sales fell more than expected in June, as cooler weather deterred shoppers. For the week, the pound is off 0.6% and set to snap a three-week streak of gains.

The Australian dollar added 0.08% to \$0.6691.

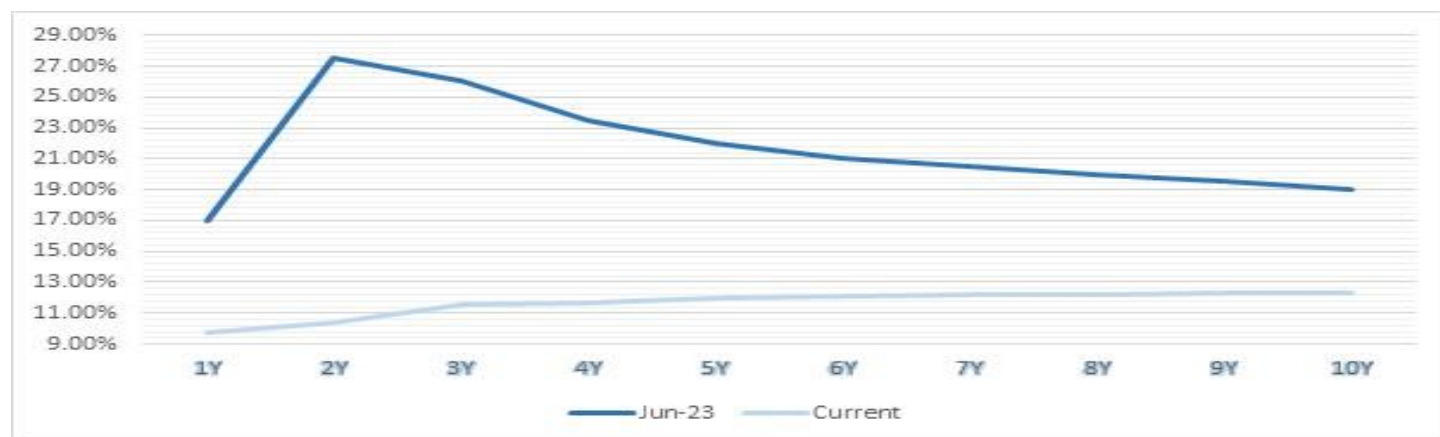
COMMODITIES

Gold prices edged higher on Monday, aided by a softer dollar and expectations of a U.S. interest rate cut, while spotlight shifted to economic data for further insights into the Federal Reserve's monetary policy path.

Oil prices rose in early trade on Monday as investors keep a lookout for signs of a rate-cut cycle expected to begin as soon as September.

ECONOMIC INDICATORS

Bond Curve



AWPLR %
 Week ending 19/07 **9.12**
 Week ago 8.85
 Year ago 17.76

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

T BILL%
 3M 9.55
 6M 9.78
 1Y 10.07

| 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) – June 24" | 5.642 Bn |
| CBSL T-bill/bond holding | 2,595.62 Bn |
| Market liquidity | 100.08 Bn |
| Foreign holding LKR bills/bonds | 52.67 Bn |

| | O/N | 1M | 3M | 6M | 12M |
|-----------|--------|--------|--------|--------|--------|
| USD SOFR | 5.3400 | 5.3467 | 5.2829 | 5.1346 | 4.8002 |
| EUR ESTR | 3.6590 | 3.6610 | 3.5990 | 3.4800 | 3.2360 |
| GBP SONIA | 5.2000 | 5.1393 | 5.0954 | 5.0022 | 4.7900 |

TREASURY DIVISION Level-11

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