

TREASURY COMMENTARY – 26th July 2024

DOMESTIC MARKET

USD/LKR

The USD/LKR market is active and is trading around the level of 299.50 and 306.50. The rupee has appreciated by approximately 6.51% against the USD from the beginning of the year.

USD/LKR Market Volume (USD Mn) on 25.07.2024

| | |
|---------|-------|
| Cash | 3.50 |
| Tom | 5.80 |
| Spot | 16.50 |
| Forward | 15.50 |

MONEY

Overnight call-money traded at 8.55% on Thursday (25.07.2024). Net market liquidity was a surplus of Rs 82.56 Bn on Thursday from a surplus of Rs 87.92 Bn on Wednesday.

GLOBAL MARKETS

FOREIGN EXCHANGE

The yen was poised for its strongest week in nearly three months in Asian Trading on Friday as traders unwound their long-held bets against the frail currency ahead of crucial U.S. inflation data that could cement rate cut expectations.

The yen has dominated the currency markets this month, surging to a near three-month high of 151.945 per dollar on Thursday after starting the month languishing at 38-year lows of 161.96 per dollar. On Friday, the yen was last at 153.625, set for a 2.3% rise for the week, its biggest weekly gain since late April-early May as a global stocks rout also drove investors towards safe assets, including yen.

The dollar index, which measures the U.S. unit versus six rivals, was little changed at 104.35. The euro was a tad stronger at \$1.0853 but is down 0.35% for the week, its steepest weekly decline since early June.

The Australian dollar was 0.15% higher at \$0.65475, just a shade above the near three-month low it touched on Thursday. The souring risk sentiment this week has weighed heavily on the Aussie and the New Zealand dollar. The Aussie is down 2% for the week, its worst weekly performance since November 2023. The kiwi was last at \$0.5888, on course for 2% decline in the week.

The Canadian dollar weakened to an eight-month low against its U.S. counterpart on Thursday as investors grew confident the Bank of Canada would continue to ease policy following its latest interest rate cut the day before.

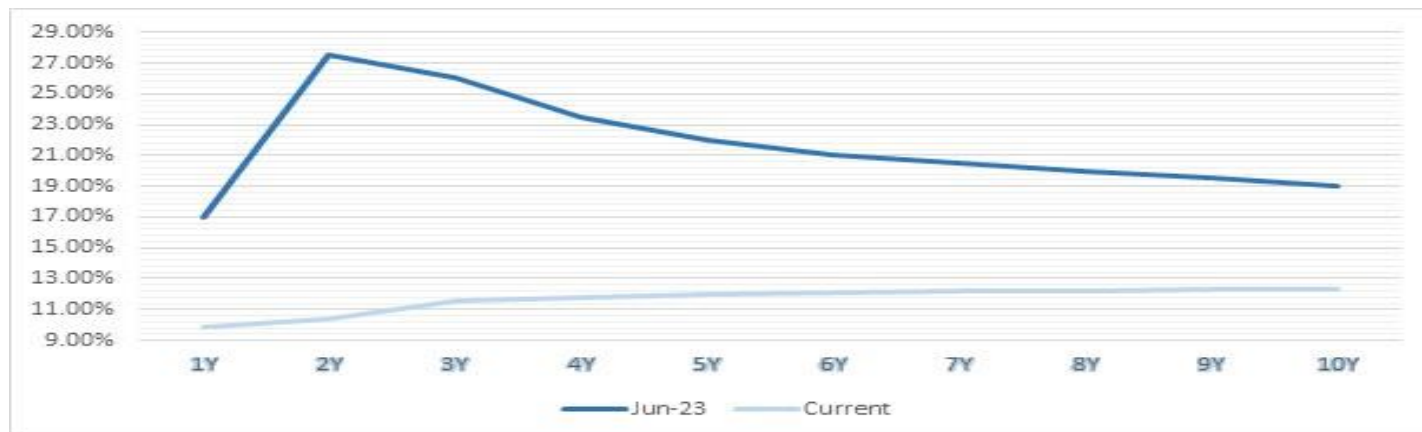
COMMODITIES

Gold prices inched higher on Friday, but remained on track for a weekly loss, while traders awaited U.S. inflation data for further cues on the trajectory of the Federal Reserve's interest rate cuts.

Oil prices were up slightly on Friday on stronger-than-expected U.S. economic data that raised investor expectations for increasing crude oil demand from the world's largest energy consumer.

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 9.14
6M 9.34
1Y 9.95

INFLATION (%)

(Base:2021=100)

| | Apr 2024 | May 2024 | Jun 2024 | Year ago |
|-------------|-------------|-------------|-------------|----------|
| NCPI (YoY) | 2.7 | 1.6 | 2.4 | 10.80 |
| NCPI (core) | 3.0 | 3.1 | - | 11.30 |
| 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 | 82.56 Bn |
| Foreign holding LKR bills/bonds | 52.67 Bn |

| | O/N | 1M | 3M | 6M | 12M |
|-----------|--------|--------|--------|--------|--------|
| USD SOFR | 5.3400 | 5.3471 | 5.2636 | 5.1075 | 4.7686 |
| EUR ESTR | 3.6590 | 3.6640 | 3.5810 | 3.4570 | 3.1930 |
| GBP SONIA | 5.2000 | 5.1000 | 5.0638 | 4.9618 | 4.7460 |

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 Fax: 2664854 Fitch Rating: A(Ika.)