

TREASURY COMMENTARY – 30th August 2024

DOMESTIC MARKET

USD/LKR

The USD/LKR market is active and is trading around the level of 296.00 and 303.00. The rupee has appreciated by approximately 7.59% against the USD from the beginning of the year.

USD/LKR Market Volume (USD Mn) on 29.08.2024

| | |
|---------|------|
| Cash | 3.6 |
| Tom | 25.5 |
| Spot | 34.8 |
| Forward | 26.0 |

MONEY

Overnight call-money traded at 8.52% on Thursday (29.08.2024). Net market liquidity was a surplus of Rs 102.69 Bn on Thursday from a surplus of Rs 104.71 Bn on Wednesday.

GLOBAL MARKETS

FOREIGN EXCHANGE

The dollar traded near a one-week high versus major peers in Asian trading on Friday, on track to snap a five-week losing run, after robust economic data pared bets for aggressive Federal Reserve interest rate cuts.

The euro languished close to a two-week low to the dollar as cooling inflation in Germany and Spain boosted the case for European Central Bank easing.

The Japanese currency largely ignored data on Friday showing core consumer prices in Tokyo climbing at a faster than expected 2.4% in August, again topping the Bank of Japan's 2% target, although a measure that also strips out energy costs rose by just 1.6%.

Traders now more strongly favour a quarter-point Fed rate reduction on Sept. 18, laying only 34% odds of a 50-basis point (bp) cut, down from 38% a day earlier, according to the CME Group's FedWatch Tool.

The U.S. dollar index - which measures the currency against a basket of six major peers - was little changed at 101.34 as of 0032 GMT, after rising 0.36% on Thursday and touching the highest since Aug. 22 at 101.58.

The United States also sees the release of the core personal consumption expenditures (PCE) price index, the Fed's preferred inflation gauge.

The dollar eased 0.14% to 144.78 yen, after rising as high as 145.55 overnight for the first time since Aug. 23.

The euro was flat at \$1.1082 and dropped as low as \$1.1055 on Thursday. Later in the day, more consumer inflation readings from around Europe are due, including France, Italy and the euro zone as a whole.

Sterling was steady at \$1.31655 after dipping to \$1.3146 overnight for the first time since Aug. 23.

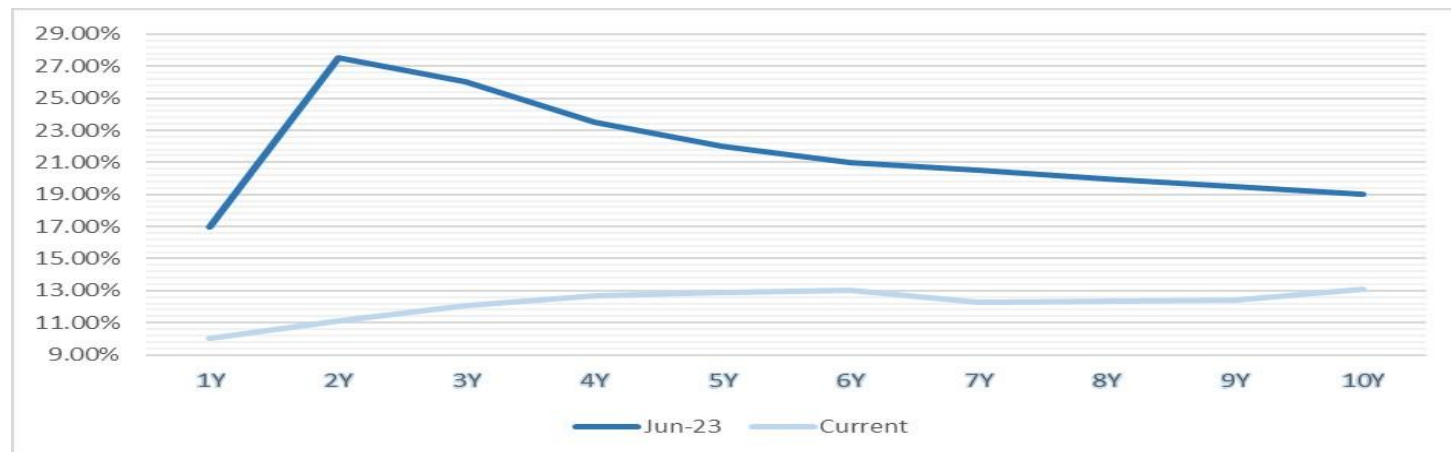
COMMODITIES

Gold prices were little changed on Friday, but were poised for a monthly gain on prospects of a U.S. interest rate cut in September, while traders awaited key U.S. inflation data for further insights.

Oil prices were steady in early trading on Friday as investors weighed supply concerns in the Middle East against signs of weakened demand.

ECONOMIC INDICATORS

Bond Curve



AWPLR %

Week ending 23/08 **9.13**
 Week ago 9.07
 Year ago 15.59

AWDR %

July **2024** 8.04
 Jun **2024** 8.38
 Year ago 14.76

T BILL%

3M 9.49
6M 9.84
1Y 10.01

INFLATION (%)

(Base:2021=100)

| | May 2024 | Jun 2024 | July 2024 | Year ago |
|-------------|----------|----------|-----------|----------|
| NCPI (YoY) | 1.6 | 2.4 | 2.5 | 4.6 |
| NCPI (core) | 3.1 | 3.9 | 3.0 | 6.3 |
| CCPI(YoY) | 0.9 | 1.7 | 2.4 | 6.3 |
| CCPI (core) | 3.5 | 4.4 | 4.4 | 5.9 |

| | |
|---------------------------------|-------------|
| CBSL reserves (USD) – July 24" | 5.649 Bn |
| CBSL T-bill/bond holding | 2,555.62 Bn |
| Market liquidity | 102.69 Bn |
| Foreign holding LKR bills/bonds | 43.53 Bn |

| | O/N | 1M | 3M | 6M | 12M |
|-----------|--------|--------|--------|--------|--------|
| USD SOFR | 5.3500 | 5.2005 | 5.0156 | 4.6982 | 4.1970 |
| EUR ESTR | 3.6590 | 3.5690 | 3.4250 | 3.2390 | 2.8630 |
| GBP SONIA | 4.9500 | 4.9390 | 4.8824 | 4.7391 | 4.4645 |

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