

TREASURY COMMENTARY – 06th September 2024

DOMESTIC MARKET

USD/LKR

The USD/LKR market is active and is trading around the level of 295.00 and 302.00. The rupee has appreciated by approximately 7.89% against the USD from the beginning of the year.

USD/LKR Market Volume (USD Mn) on 06.09.2024

Cash	6.5
Tom	8.6
Spot	13.0
Forward	15.25

MONEY

Overnight call-money traded at 8.53% on Thursday (05.09.2024). Net market liquidity was a surplus of Rs 88.86 Bn on Thursday from a surplus of Rs 98.54 Bn on Wednesday.

GLOBAL MARKETS

FOREIGN EXCHANGE

The U.S. dollar sagged near a one-week low versus major peers in Asian trading on Friday with job market indicators sending mixed signals ahead of crucial monthly payrolls data later in the day that is almost certain to set the pace for Federal Reserve policy easing.

The dollar index, which gauges the currency against a basket of six key counterparts, was steady at 101.03 as of 0015 GMT, after slipping about 0.2% overnight and touching 100.96 for the first time since Aug. 29. For the week, it has dropped close to 0.7%.

A report on Thursday showed the number of Americans filing new applications for jobless benefits declined last week as layoffs remained low. That helped allay fears that the labor market was deteriorating rapidly, after figures released the previous day showed private jobs growth slumped to a 3-1/2-year low in August. Traders currently see 40% odds for a super-sized 50-basis point (bp) Fed interest rate cut on Sept. 18, versus 60% probability of a quarter-point reduction, according to the CME Group's FedWatch Tool. A day earlier, wagers on the larger cut stood at 44%, but a week ago it was 34%.

The dollar was steady at 143.25 yen, after dipping to 142.855 overnight for the first time since Aug. 5, pressured by a slide in U.S. Treasury yields, with that on the 10-year note dipping to a one-month trough of 3.721%.

The euro held its ground at \$1.1112, just below Thursday's one-week high of \$1.11195. Sterling was little changed at \$1.31755, sticking close to the overnight top at \$1.31855, the strongest level since Aug. 30.

The risk-sensitive Australian dollar edged down slightly to \$0.6739.

The kiwi dollar stood at \$0.6221, to also be down 0.4% for the week. Resistance lies at last week's top of \$0.6298, with support around \$0.6168 and \$0.6129.

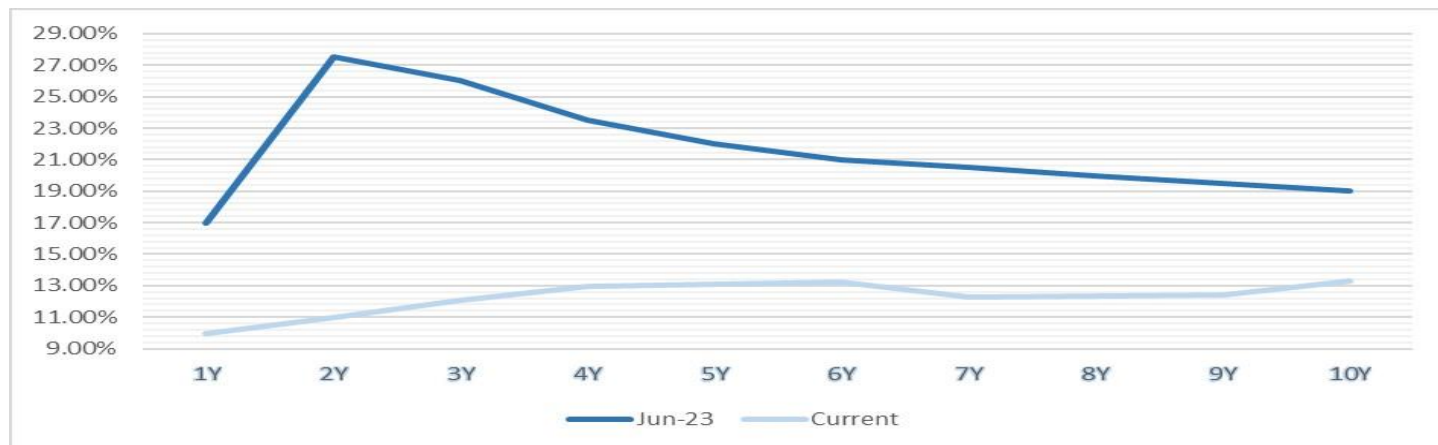
COMMODITIES

Gold prices held steady on Friday, but were headed for a weekly gain, while market focus shifted to a crucial U.S. payrolls report for better clarity into the extent of an expected rate reduction this month.

Oil prices edged up in early trading on Friday as investors weighed a big withdrawal from U.S. crude inventories and a delay to production hikes by OPEC+ producers against mixed U.S. employment data.

ECONOMIC INDICATORS

Bond Curve



AWPLR %
Week ending 30/08 9.13
Week ago 9.13
Year ago 15.29

AWDR %
August 2024 7.87
July 2024 8.04
Year ago 14.15

T BILL%
3M 9.61
6M 9.94
1Y 10.03

INFLATION (%) (Base:2021=100)	June 2024	July 2024	August 2024	Year ago
NCPI (YoY)	2.4	2.5	-	4.6
NCPI (core)	3.9	3.0	-	6.3
CCPI(YoY)	1.7	2.4	0.5	4.0
CCPI (core)	4.4	4.4	3.6	4.6

CBSL reserves (USD) – July 24"	5.652 Bn
CBSL T-bill/bond holding	2,555.62 Bn
Market liquidity	88.86 Bn
Foreign holding LKR bills/bonds	42.07 Bn

	O/N	1M	3M	6M	12M
USD SOFR	5.3500	5.1180	4.9460	4.6154	4.1103
EUR ESTR	3.6630	3.5140	3.4170	3.2370	2.8310
GBP SONIA	4.9500	4.9191	4.8491	4.6953	4.3940

TREASURY DIVISION Level-11

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