

TREASURY COMMENTARY – 15 October 2024

DOMESTIC MARKET

USD/LKR

The USD/LKR market is active and is trading around the level of 289.50 and 296.50. The rupee has appreciated by approximately 9.59% against the USD from the beginning of the year.

USD/LKR Market Volume (USD Mn) on 14.10.2024

Cash	-
Tom	6.50
Spot	23.00
Forward	23.00

MONEY

Overnight call-money traded at 8.51% on Monday (14.10.2024). Net market liquidity was a surplus of Rs 165.31 Bn on Monday from a surplus of Rs 141.83 Bn on Friday.

GLOBAL MARKETS

FOREIGN EXCHANGE

USD was perched at an over two-month high against major currencies on Tuesday, spurred by wagers, the Federal Reserve will proceed with modest rate cuts in the near term, while the yen inched closer to the key 150 per dollar level. The U.S. central bank kicked off its easing cycle with an aggressive 50 basis points at its last policy meeting in September. Traders are now ascribing 89% chance of a 25 bps cut in November, with 45 bps of easing priced in for the year.

The euro was steady in early Asian hours but close to its lowest level since Aug. 8 that it touched on Monday ahead of the European Central Bank policy meeting on Thursday, where the central bank looks to set to deliver another interest rate cut. The euro bought at \$1.090825. While Sterling was little changed at \$1.30660, near last week's one-month low of \$1.30110, and flat against the euro at 83.70 pence

The dollar's rise in the past few weeks has pushed the yen lower, especially after a dovish shift in rhetoric from Bank of Japan Governor Kazuo Ueda and surprising opposition to further rate hikes by new Prime Minister Shigeru Ishiba. That has cast doubts over when Japan's central bank will next tighten policy. The yen fetched 149.55 per dollar in early trading, having touched a 2-1/2 month high of 149.98 on Monday when Japan was closed for a holiday. It last hit the 150 level on Aug. 1.

Meanwhile, the Australian dollar was steady at \$0.67275, while the New Zealand dollar was 0.13% lower at \$0.6089.

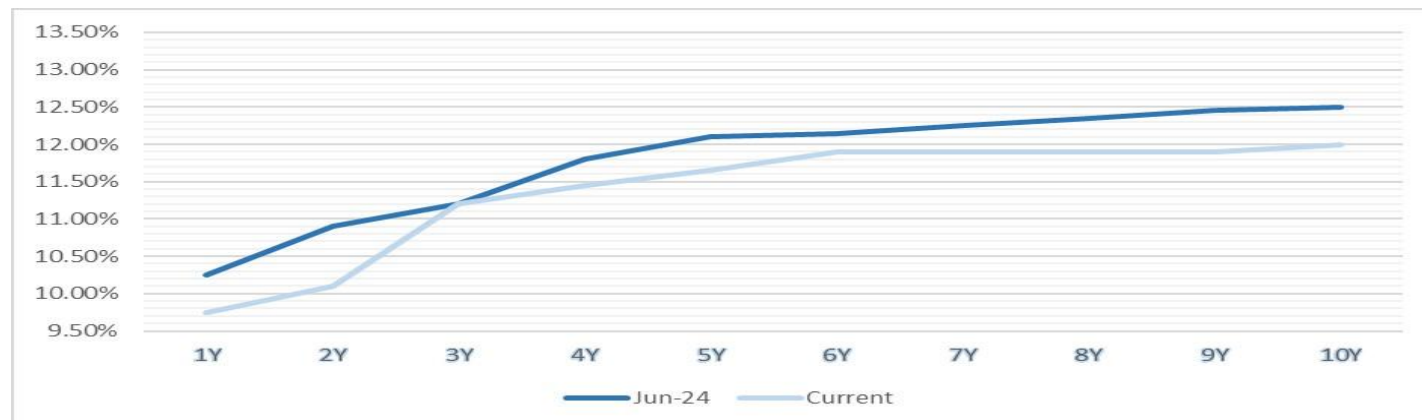
COMMODITIES

Gold was flat on Tuesday as investors await fresh insights into the Federal Reserve's stance on U.S. interest rate reductions for further direction on prices.

Oil prices slid 3% in early Asian trade on Tuesday after a media report said Israel is willing not to strike Iranian oil targets, which eased fears of a supply disruption, and after OPEC lowered its outlook for global oil demand growth in 2024 and 2025.

ECONOMIC INDICATORS

Bond Curve



AWPLR %
Week ending 10/11 9.25
Week ago 9.13
Year ago 14.30

AWDR %
September 2024 7.70
August 2024 7.87
Year ago 13.39

T BILL%
3M 09.69
6M 09.95
1Y 10.00

INFLATION (%)
 (Base:2021=100)

	July 2024	August 2024	September 2024	Year ago
NCPI (YoY)	2.5	1.1	-	0.8
NCPI (core)	3.0	2.3	-	1.7
CCPI(YoY)	2.4	0.5	- 0.5	1.3
CCPI (core)	4.4	3.6	3.3	1.9

CBSL reserves (USD) – Sept. 24"	5.992 Bn
CBSL T-bill/bond holding	2,515.62 Bn
Market liquidity	165.31 Bn
Foreign holding LKR bills/bonds	50.64 Bn

	O/N	1M	3M	6M	12M
USD SOFR	4.8200	4.7859	4.6473	4.4435	4.1397
EUR ESTR	3.4140	3.2410	3.1350	2.9340	2.5840
GBP SONIA	4.9500	4.9084	4.7692	4.6125	4.3370

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Level-11

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