

TREASURY COMMENTARY – 16 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 15.10.2024

Cash	5.60
Tom	10.00
Spot	32.15
Forward	18.25

MONEY

Overnight call-money traded at 8.51% on Tuesday (15.10.2024). Net market liquidity was a surplus of Rs 63.77 Bn on Tuesday from a surplus of Rs 165.31 Bn on Monday.

GLOBAL MARKETS

FOREIGN EXCHANGE

The U.S. dollar index, which measures the currency against six major rivals, was steady at 103.25, sticking close to Monday's high of 103.61, a level previously not seen since Aug. 8. Recent data indicating a resilient economy coupled with slightly hotter-than-expected inflation in September has led traders to trim bets for aggressive Federal Reserve easing.

The euro edged 0.05% lower to \$1.08875, and touched \$1.0882, matching the low from Tuesday, which was the weakest level since Aug. 8. The European Central Bank is due to decide policy on Thursday, with markets all but certain of a quarter-point interest rate cut.

The dollar was little changed at 149.135 yen, not far from Monday's high of 149.98 yen, the strongest since Aug. 1.

The Australian and New Zealand dollars slumped on Wednesday as scepticism grew about top trading partner China's stimulus, while the greenback hovered near two-month peaks versus major peers on wagers, U.S. interest rate cuts, will be gradual. New Zealand's currency was weighed down further by data showing cooling inflation, keeping the door open for aggressive easing by the nation's central bank. The AUD dropped as much as 0.51% to \$0.6669, the lowest since Sept. 12, before changing hands down 0.38% at \$0.6678.

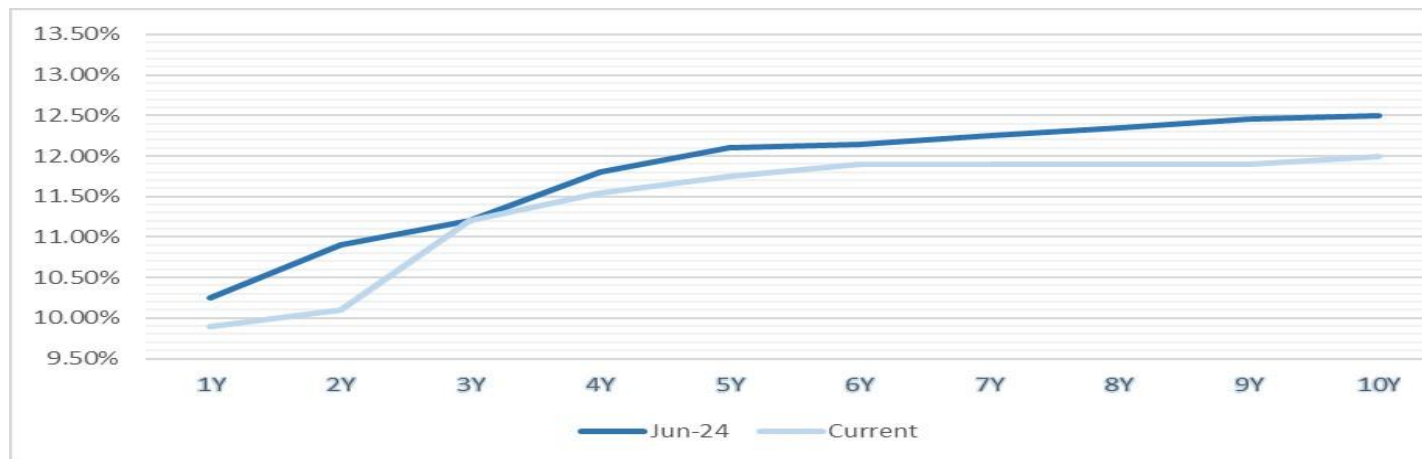
COMMODITIES

Gold prices inched higher on Wednesday, as U.S. Treasury yields eased, while market participants waited for more U.S. economic data to determine the number of interest rate cuts the Federal Reserve is likely to deliver in the near term.

Oil prices inched higher in early trade on Wednesday on uncertainty over what may happen next in the Middle East conflict, after demand concerns knocked the market to its lowest since early October in the previous session.

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 09.32
6M 09.65
1Y 09.95

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	63.77 Bn
Foreign holding LKR bills/bonds	50.64 Bn

	O/N	1M	3M	6M	12M
USD SOFR	4.8100	4.7838	4.6474	4.4426	4.1203
EUR ESTR	3.4140	3.2290	3.1280	2.9200	2.5540
GBP SONIA	4.9500	4.9000	4.7644	4.6079	4.3300

TREASURY DIVISION Level-11

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