

TREASURY COMMENTARY – 23 October 2024

DOMESTIC MARKET

USD/LKR

The USD/LKR market is active and is trading around the level of 289.25 and 296.25. The rupee has appreciated by approximately 9.67% against the USD from the beginning of the year.

USD/LKR Market Volume (USD Mn) on 22.10.2024

Cash	4.43
Tom	14.50
Spot	29.50
Forward	12.25

MONEY

Overnight call-money traded at 8.57% on Tuesday (22.10.2024). Net market liquidity was a surplus of Rs 78.39 Bn on Tuesday from a surplus of Rs 114.50 Bn on Monday.

GLOBAL MARKETS

FOREIGN EXCHANGE

The U.S. dollar rose to a fresh 2-1/2-month high on Tuesday, continuing its recent ascent on expectations the Federal Reserve will temper its interest rate cut path, while investors positioned ahead of an apparently tight U.S. presidential election. The greenback has risen for three straight weeks and is on track for its 15th gain in 17 sessions as a run of positive economic data has diminished expectations about the size and speed of rate cuts from the Fed, which has pushed U.S. Treasury yields higher.

The euro dipped 0.15% to \$1.0798. A flurry of European Central Bank policymakers spoke on Tuesday to warn about the risk of inflation falling below the central bank's 2% target, signaling a change in their focus after years of excessive price growth.

The euro bought \$1.081725, wallowing near its lowest level since Aug. 2, while sterling was at \$1.2982, hovering around its lowest level since Aug. 20 and Sterling edged down 0.04% to \$1.2979

Against the Japanese yen, the dollar strengthened 0.17% to 151.08 after climbing to 151.19, its highest since July 31.

The Aussie slipped 0.2% to \$0.6668, having rebounded 0.4% overnight to pull away from a six-week low of \$0.6648. The level of \$0.6650/60 is proving to be a key support area ahead of the 200-day moving average of \$0.6628, while resistance is at 67 cents. The kiwi dollar fell 0.1% to \$0.6036, after bouncing 0.2% overnight to move away from a two-month low of \$0.6020.

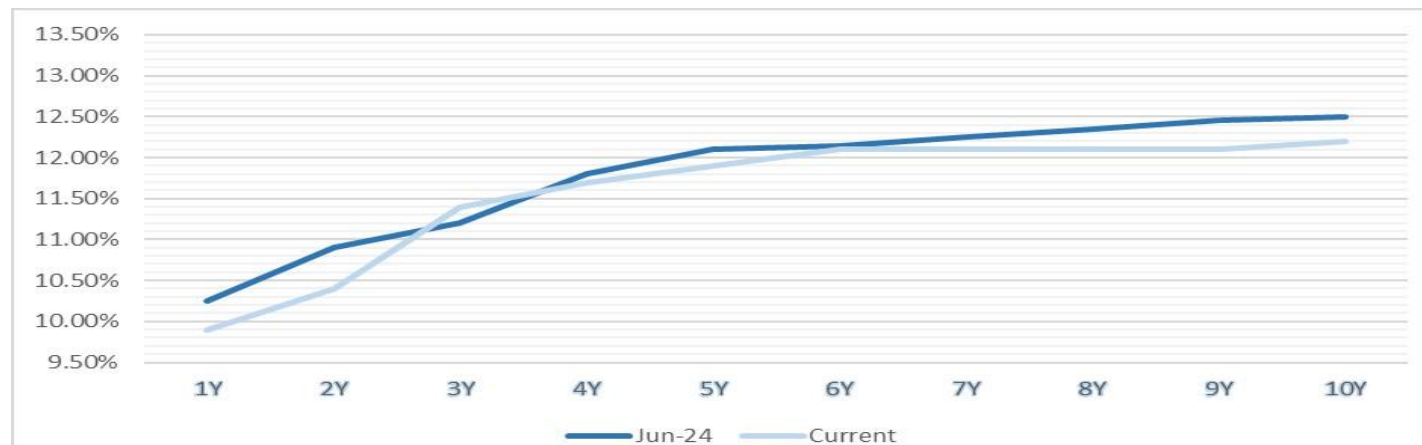
COMMODITIES

Gold prices surged to a record high on Wednesday as the conflicts in the Middle East and uncertainty surrounding the upcoming U.S. election spurred demand for safe-haven assets.

Oil prices settled higher for the second consecutive session on Tuesday, as traders downplayed hopes of a Middle East ceasefire and focused on signs of improving demand from China, which could tighten market balances in the months ahead.

ECONOMIC INDICATORS

Bond Curve



AWPLR %
Week ending 10/18 9.10
Week ago 9.25
Year ago 14.00

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	-0.2	1.0
NCPI (core)	3.0	2.3	1.9	0.6
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	78.39 Bn
Foreign holding LKR bills/bonds	51.14 Bn

	O/N	1M	3M	6M	12M
USD SOFR	4.8200	4.7433	4.6347	4.4578	4.1564
EUR ESTR	3.1630	3.1660	3.0490	2.7910	2.3960
GBP SONIA	4.9500	4.8389	4.7067	4.5291	4.2275

TREASURY DIVISION Level-11

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