

TREASURY COMMENTARY – 25 October 2024

DOMESTIC MARKET

USD/LKR

The USD/LKR market is active and is trading around the level of 290.00 and 297.00. The rupee has appreciated by approximately 9.44% against the USD from the beginning of the year.

USD/LKR Market Volume (USD Mn) on 24.10.2024

Cash	7.80
Tom	5.50
Spot	17.35
Forward	8.11

MONEY

Overnight call-money traded at 8.55% on Thursday (24.10.2024). Net market liquidity was a surplus of Rs 153.57 Bn on Thursday from a surplus of Rs 144.13 Bn on Wednesday.

GLOBAL MARKETS

FOREIGN EXCHANGE

The yen languished near a three-month trough on Friday and was headed for a fourth straight weekly loss, ahead of an election in Japan over the weekend that is likely to complicate the Bank of Japan's (BOJ) policy normalisation plans. Japanese voters will head to the polls on Sunday for a general election, with polls showing the ruling Liberal Democratic Party (LDP) could lose its long-held dominance. The yen was last 0.1% lower at 152 per dollar and was looking at a 1.5% loss for the week.

In the broader market, the dollar retreated from its recent highs as it tracked U.S. Treasury yields lower, though it remained on course for yet another weekly gain.

The dollar's rally came to a pause on Friday after it surged to a three-month high earlier this week, underpinned by tempered expectations of aggressive Federal Reserve rate cuts and as market bets for a possible return of Donald Trump as U.S. president ramp up.

Against the dollar, the euro bought \$1.08225, some distance away from its low of \$1.076125 hit earlier this week. Still, the single currency remained on track for a 0.4% weekly loss. Sterling dipped 0.06% to \$1.2969, but also edged away from a two-month trough of \$1.2908 hit on Wednesday. It was headed for a 0.6% weekly fall.

Elsewhere, the Australian dollar eased 0.11% to \$0.6634, while the New Zealand dollar edged 0.22% lower to \$0.6003.

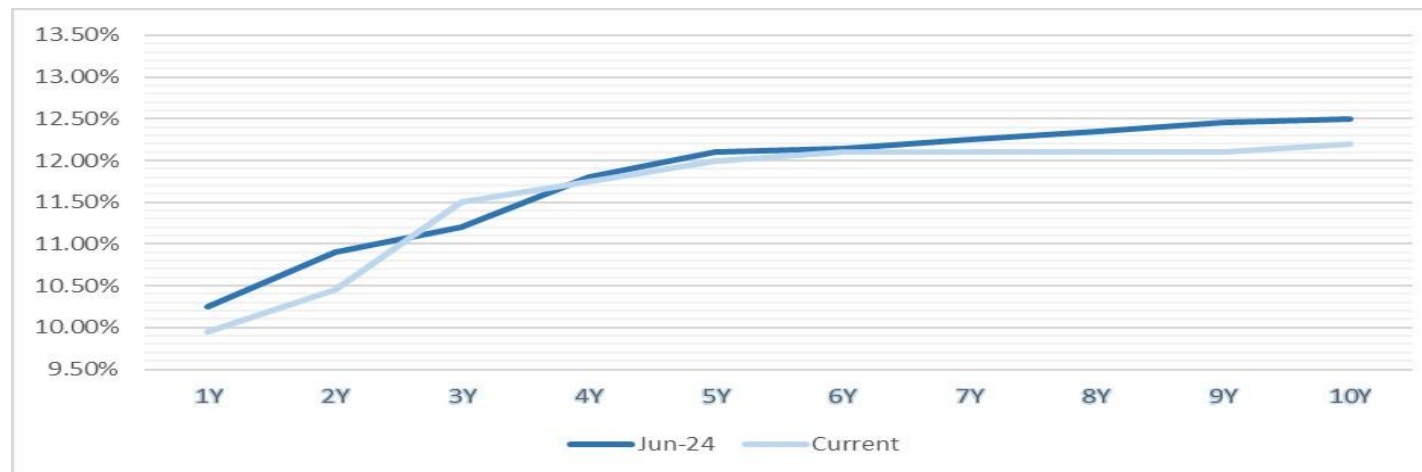
COMMODITIES

Gold prices eased on Friday but was on track for a weekly gain, as investors sought the safe-haven metal amid rising geopolitical tensions,

Oil prices eased about 1% in volatile trade on Thursday on reports the U.S. and Israel will try to restart talks on a possible ceasefire in Gaza.

ECONOMIC INDICATORS

Bond Curve



AWPLR %	AWDR %	T BILL%
Week ending 10/18 9.10	September 2024 7.70	3M 09.32
Week ago 9.25	August 2024 7.87	6M 09.65
Year ago 14.00	Year ago 13.39	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	153.57 Bn
Foreign holding LKR bills/bonds	51.14 Bn

	O/N	1M	3M	6M	12M
USD SOFR	4.8300	4.7176	4.6172	4.4478	4.1779
EUR ESTR	3.1640	3.1670	3.0240	2.7350	2.3450
GBP SONIA	4.9500	4.8230	4.7049	4.5316	4.2280

TREASURY DIVISION Level-11

Tel: FX: 2664843-6 (Vajira/Chaaminda/Manjuli/Madhushani/Anjula/Chandike)
Interest Rates: 2664850-3 (Vajira/Sanka/Pasan/Manjuli/Anjula)
E-mail: forex@hnb.lk Fax: 2664854 Fitch Rating: A(Ika.)