

TREASURY COMMENTARY – 07 November 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 06.11.2024

Cash	06.03
Tom	04.60
Spot	36.10
Forward	19.00

MONEY

Overnight call-money traded at 8.55% on Wednesday (06.11.2024). Net market liquidity was a surplus of Rs 152.57 Bn on Wednesday from a surplus of Rs 98.35 Bn on Tuesday.

GLOBAL MARKETS

FOREIGN EXCHANGE

The dollar hovered off a four-month high in Asian trading on Thursday as the market continued to digest Republican Donald Trump's win in the U.S. presidential election, while investors eyed several central bank decisions that will be topped off by the Federal Reserve.

The Fed is expected to cut interest rates by 25 basis points later in the day, and the market focus will be on any clues that the U.S. central bank could skip a cut in December. Last week's October jobs report came in weaker than expected, raising questions over the degree of softness in the labour market, though this data was clouded by the impact of recent hurricanes and labour strikes.

The dollar index, which measures the greenback against six major peers, edged down 0.05% to 105.06 after surging to its highest since July 3 at 105.44 in the previous session.

The yen was up 0.22% at 154.30 per dollar, after touching 154.7 on Wednesday, its lowest against the greenback since July 30.

The euro steadied at \$1.0731, having tumbled as low as \$1.068275 for the first time since July 27 on Wednesday, while sterling remained on the back foot, fetching 1.2885.

Ahead of the Fed, the Bank of England is likely to cut interest rates the second time since 2020 but the big question for investors is whether it sends a signal about its subsequent moves after the government's inflation-raising budget.

Elsewhere, the Aussie was mostly flat at \$0.6568, consolidating after falling to a three-month trough of \$0.6513 on Wednesday.

The kiwi traded at \$0.5944, up 0.08%.

COMMODITIES

Gold prices struggled for momentum on Thursday, as dollar firmed after Donald Trump's election victory, while investors shifted focus to the Federal Reserve's upcoming rate cut decision.

Oil prices edged up on Thursday following a sell-off triggered by the U.S. presidential election, as risks to oil supply from a Trump presidency and a hurricane building in the Gulf Coast outweighed a stronger U.S. dollar and higher inventories.

ECONOMIC INDICATORS

Bond Curve



AWPLR %
 Week ending 11/01 **9.05**
 Week ago 9.17
 Year ago 13.86

AWDR %
 October **2024** 7.61
 September **2024** 7.70
 Year ago 12.75

T BILL%
3M 09.37
6M 09.70
1Y 09.95

INFLATION (%) (Base:2021=100)	August 2024	September 2024	October 2024	Year ago
NCPI (YoY)	1.1	-0.2	-	1.0
NCPI (core)	2.3	1.9	-	0.6
CCPI(YoY)	0.5	- 0.5	- 0.8	1.5
CCPI (core)	3.6	3.3	3.0	1.2

CBSL reserves (USD) – Sept. 24"	5.994 Bn
CBSL T-bill/bond holding	2,515.62 Bn
Market liquidity	152.57 Bn
Foreign holding LKR bills/bonds	52.91 Bn

	O/N	1M	3M	6M	12M
USD SOFR	4.8200	4.6325	4.5222	4.3964	4.1994
EUR ESTR	3.1650	3.1670	3.0090	2.7320	2.4100
GBP SONIA	4.9500	4.7242	4.6922	4.5825	4.4240

TREASURY DIVISION Level-11

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