

TREASURY COMMENTARY – 08 November 2024

DOMESTIC MARKET

USD/LKR

The USD/LKR market is active and is trading around the level of 288.75 and 296.75. The rupee has appreciated by approximately 9.82% against the USD from the beginning of the year.

USD/LKR Market Volume (USD Mn) on 07.11.2024

Cash	05.33
Tom	05.50
Spot	33.10
Forward	18.25

MONEY

Overnight call-money traded at 8.56% on Thursday (07.11.2024). Net market liquidity was a surplus of Rs 169.51 Bn on Thursday from a surplus of Rs 152.57 Bn on Wednesday.

GLOBAL MARKETS

FOREIGN EXCHANGE

The Federal Reserve cut interest rates by a quarter of a percentage point on Thursday as its policymakers began taking stock of what could become a more complex economic landscape when President-elect Donald Trump takes office next year.

Fed Chair Jerome Powell said the results of Tuesday's presidential election, which paved the way for a U.S. chief executive who has pledged widespread deportation of immigrants, broad-based tariffs, and tax cuts, would have no "near-term" impact on U.S. monetary policy.

A dollar rally triggered by Republican Donald Trump's victory in the U.S. presidential election could heighten pressure on the Bank of Japan to raise interest rates as soon as December to prevent the yen from sliding back toward three-decade lows.

Trump's victory in the U.S. presidential election unleashed sharp dollar gains, as expectations of tax cuts and tariffs on imports drove optimism about economic growth while fueling worries about inflation.

The greenback's strength briefly pushed the yen to a three-month low of 154.71 on Thursday, well off a high of 140.62 hit in mid-September. While a weak yen gives exports a boost, it has become a headache for Japanese policymakers by pushing up fuel and food import costs and in turn hurting consumption.

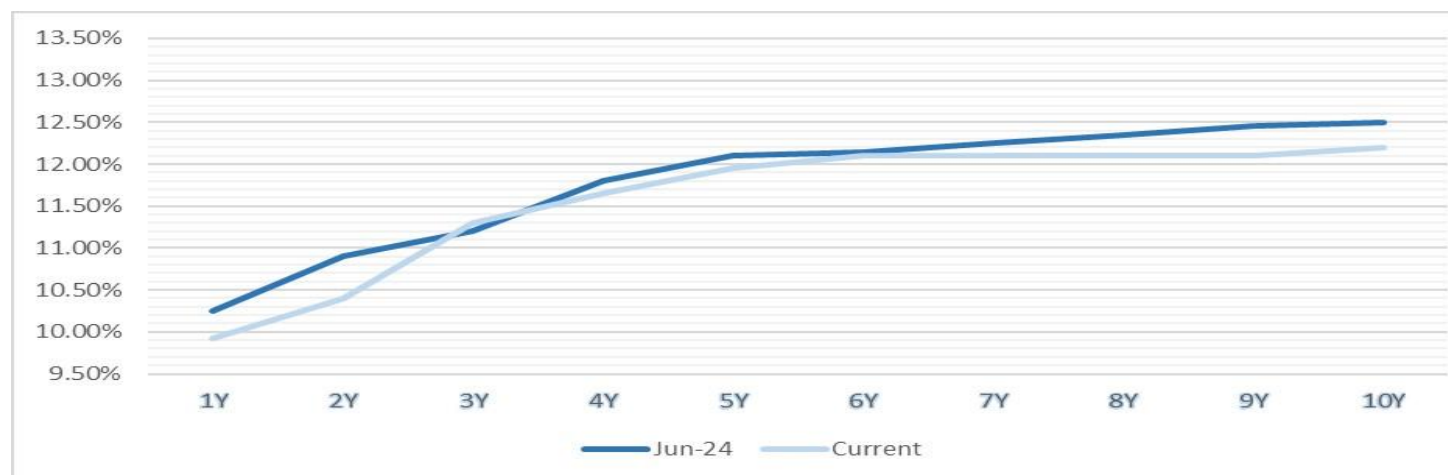
COMMODITIES

Gold prices inched higher on Friday, extending gains spurred by the Federal Reserve's widely anticipated quarter-point rate cut amid a cooling labour market and solid economic growth.

Oil prices fell slightly on Friday as the risk that a hurricane in the Gulf of Mexico will affect U.S. oil and gas output declined while the market continues to weigh how President-elect Donald Trump's policies might affect supplies.

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	169.51 Bn
Foreign holding LKR bills/bonds	52.91 Bn

	O/N	1M	3M	6M	12M
USD SOFR	4.8100	4.6221	4.5216	4.4103	4.2466
EUR ESTR	3.1640	3.1660	2.9830	2.6830	2.3200
GBP SONIA	4.9500	4.7177	4.6828	4.5702	4.4120

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.)