

TREASURY COMMENTARY – 13 November 2024

DOMESTIC MARKET

USD/LKR

The USD/LKR market is active and is trading around the level of 288.50 and 295.50. The rupee has appreciated by approximately 9.90% against the USD from the beginning of the year.

USD/LKR Market Volume (USD Mn) on 12.11.2024

Cash	2.53
Tom	5.60
Spot	55.70
Forward	10.50

MONEY

Overnight call-money traded at 8.53% on Tuesday (12.11.2024). Net market liquidity was a surplus of Rs 110.49 Bn on Tuesday from a surplus of Rs 162.93 Bn on Monday.

GLOBAL MARKETS

FOREIGN EXCHANGE

The USD held near a 6-1/2-month peak against major peers as markets sized up so-called Trump trades ahead of key U.S. inflation data later in the day. The dollar is reaping the benefits of Republican Donald Trump's victory in the U.S. presidential election last week, with investors pricing in policies of lower taxes and trade tariffs under the incoming administration that are seen as inflationary. The Trump trade has pushed up U.S. Treasury yields as markets wager the Federal Reserve may temper the extent of its future rate cuts.

The euro remained under pressure from political uncertainty as Germany, the bloc's biggest economy, is set to hold elections on Feb. 23, weeks after the collapse of Chancellor Olaf Scholz's governing coalition. Meanwhile, markets are weighing potential Trump tariffs against Europe, as well as China. The euro languished near a one-year low of \$1.0596 hit on Tuesday, and was down 0.05% at \$1.061875. Sterling was flat at \$1.2746, under pressure from a broadly firmer greenback.

The dollar edged up about 0.17% against the yen to 154.88 after touching 154.934, its highest against the Japanese currency since July 30. Japan's wholesale inflation accelerated in October as renewed yen falls pushed up import costs for some goods. Elsewhere, the AUD, which tends to be sensitive to the economic outlook for China, remained under pressure, down 0.02% to fetch \$0.6531. Australian wages rose at the slowest annual pace since late 2022 in the third quarter amid an influx of new workers and an easing in inflation, adding somewhat to the case for cuts in interest rates.

COMMODITIES

Gold prices edged up on Wednesday as investors hunted for bargains after steep declines in the previous session, while spotlight shifted to U.S. inflation print, which could shed more light on the Federal Reserve's monetary policy path.

Oil prices edged up on Wednesday on signs of near-term supply tightness but remained near their lowest in two weeks a day after OPEC downgraded its forecast for global oil demand growth in 2024 and 2025.

ECONOMIC INDICATORS

Bond Curve



AWPLR %
 Week ending 11/08 9.16
 Week ago 9.05
 Year ago 13.88

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) – Oct. 24"	6.467 Bn
CBSL T-bill/bond holding	2,515.62 Bn
Market liquidity	110.49 Bn
Foreign holding LKR bills/bonds	54.81 Bn

	O/N	1M	3M	6M	12M
USD SOFR	4.6000	4.6076	4.5168	4.4126	4.2396
EUR ESTR	3.1640	3.1650	2.9610	2.6450	2.2820
GBP SONIA	4.7000	4.7091	4.6906	4.6028	4.4608

TREASURY DIVISION Level-11

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