

TREASURY COMMENTARY – 22 November 2024

DOMESTIC MARKET

USD/LKR

The USD/LKR market is active and is trading around the level of 287.25 and 294.25. The rupee has appreciated by approximately 10.30% against the USD from the beginning of the year.

USD/LKR Market Volume (USD Mn) on 21.11.2024

Cash	12.58
Tom	5.85
Spot	40.50
Forward	17.85

MONEY

Overnight call-money traded at 8.58% on Thursday (21.11.2024). Net market liquidity was a surplus of Rs 143.37 Bn on Thursday from a surplus of Rs 121.38 Bn on Wednesday.

GLOBAL MARKETS

FOREIGN EXCHANGE

The U.S. dollar stuck close to a 13-month high on Friday, as investors assessed the outlook for the Federal Reserve's interest rate path and uncertainty in Europe kept the euro on the back foot.

The dollar has rallied around 3% so far this month on expectations that U.S. President-elect Donald Trump's policies could reignite inflation and limit the Fed's ability to cut rates.

The dollar index edged down 0.05% to 107.01, not far off Thursday's one-year high of 107.15, its highest level since Oct. 4, 2023, with little data this week to dent its march higher.

The euro, which makes up a hefty portion of the dollar index, steadied at \$1.0475 after falling to a 13-month low of \$1.0461 on Thursday. The euro has been one of the main casualties of the dollar's post-election ascent. Recent escalations between Russia and Ukraine and political uncertainty as Germany, the bloc's biggest economy, have further weighed.

Sterling traded at \$1.25915, up 0.03% so far on the day.

The yen, meanwhile, held its ground against the greenback after domestic core inflation figures remained above the Bank of Japan's (BOJ) 2% target in a sign conditions for further interest rate hikes were falling in place. The dollar was down 0.17% on the day at 154.27 yen. BOJ Governor Kazuo Ueda on Thursday said that the bank will scrutinise data ahead its rate review next month, and "seriously" take into account the impact yen moves could have on the economic and price outlook.

COMMODITIES

Gold prices were steady on Friday but still poised for a weekly gain, driven by safe-haven demand due to escalating geopolitical concerns, while market awaited clearer signals on the U.S. interest rate outlook.

Oil prices rose on Friday after Russia said it had fired a ballistic missile at Ukraine and warned of a broadening conflict, raising the prospect of tightening crude supplies.

ECONOMIC INDICATORS

Bond Curve



AWPLR %
 Week ending 11/14 **9.11**
 Week ago 9.16
 Year ago 13.31

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

T BILL%
3M 09.30
6M 09.60
1Y 09.78

INFLATION (%) (Base:2021=100)	August 2024	September 2024	October 2024	Year ago
NCPI (YoY)	1.1	-0.2	-0.7	1.0
NCPI (core)	2.3	1.9	1.7	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	143.37 Bn
Foreign holding LKR bills/bonds	54.84 Bn

	O/N	1M	3M	6M	12M
USD SOFR	4.5600	4.5877	4.5208	4.4337	4.2912
EUR ESTR	3.1650	3.1190	2.9010	2.6130	2.2680
GBP SONIA	4.7000	4.7075	4.6818	4.5902	4.4308

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