

DAILY MARKET WATCH

19th March 2024

Commercial Bank of Ceylon PLC – Treasury Department

Tel: 2486359/2486344/2486345 | Email: treasury@combank.net | Web: www.combank.lk

 **COMMERCIAL BANK**

TREASURY

FINANCIAL MARKET UPDATE IN BRIEF

The USD/LKR is expected to trade in a range of 303.00 to 308.00 on Tuesday. Market is volatile between a range, with both demand & supply challenging the market direction.

The Colombo Stock Exchange closed down on Monday, The broader All Share Index closed down 0.14 percent, or 15.86 points, at 11,320; while the S&P SL20 Index closed down 0.25 percent, or 8.12 points, at 3,237. Turnover was at 1.320 billion.

19.03.2024 Indicative Market levels

	Buying	Selling
USD	300.50	307.50
EUR	325.26	335.91
GBP	380.87	392.82
JPY	2.0057	2.0662
SGD	221.10	233.11
AUD	193.25	205.44

Traded USD Volumes as at 18.03.2024

Cash	23.10
Tom	02.00
Spot	65.70
Fwd	21.30

TREASURY BILL/BOND MARKET

The G-Sec market traded with a volume 1.450 Bio on 18.03.2024. Indicative T-bond rates closing levels were as follows.

01/08/2026	11.00%-11.25%
15/09/2027	11.90%-12.10%
01/07/2028	12.10%-12.35%
15/05/2030	12.30%-12.65%

Treasury Bill Market (Weighted Average Rates)

	This Week 13.03.2024	Last Week 06.03.2024
91 days	10.10%	09.96%
182 days	10.21%	10.08%
364 days	10.24%	10.14%

** Strictly indicative and for information only*

LKR Bio	Foreign Holding 28.12.2023	Foreign Holding 14.03.2024	Net Flow (YTD)
T-Bills & T-Bonds	117.44	88.69	(28.75)

MONEY MARKET AT A GLANCE

As of 18 th March 2024 (in LKR Bn)	
Overnight Market Liquidity	(77.07)
Term Liquidity	(50.80)
Overall Market Liquidity	(127.87)

Net of Overnight SDF and SLF	29.23
Net of Overnight Repo / (Rev Repo)	(106.30)
Overnight Liquidity Support Facility	-
Net of Term Repo / (Rev Repo)	(50.80)
Term Liquidity Support Facility	
Overnight Call Money Rates	9.00% - 10.00%
Overnight Repurchase Rates	9.00% - 10.00%

ECONOMIC INDICATORS

AWPLR as at 15 th March 2024	11.35%
Inflation (Y o Y – February 2024 - CCPI)	5.90%
Inflation (Y o Y- January 2024 - NCPI)	6.50%
Official Reserves Assets (Jan – 2024)	US\$ 4,517 Mn
GDP Quarterly growth rate (2023 – Q3)	1.60%

Unemployment Rate (2023 – Q3)	4.70%
Per Capita GDP-2022	US\$ 3,483
Statutory Reserve Ratio (SRR)	2.00%
Trade Balance (Jan - 2024)	(US\$ 541.10 Mn)
Balance of Payment (Jan - Sep - 2023)	US\$ 1,863 mn

INTERNATIONAL MARKETS

The US Dollar trades at 103.55 on Monday, reflecting minor gains. Rising US Treasury yields also favored the favorable start of the week. All eyes are now on the Federal Reserve (Fed) decision on Wednesday and the updated economic projections. The US economy is at a pivotal juncture as inflation remains sticky, while weak labor market data seem to be balancing investor expectations on the Fed’s timing for beginning the easing cycle. As for now, the first cut is seen in June. US Treasury bond yields are rising with trading figures clocking in at 4.75% for the 2-year yield, 4.35% for the 5-year yield, and 4.33% for the 10-year yield. The Federal Reserve is projected to exercise patience before implementing policy easing, considering that there seem to be signs of US inflation progress slowing down. Despite a recent dovish testimony by Powell, the majority of officials from the Federal Reserve express caution regarding premature monetary easing.

The EUR/USD pair edges lower to multi-day lows around 1.0870 on the firmer US Dollar (USD) during the early Asian session on Tuesday. The Federal Reserve (Fed) monetary policy meeting on Wednesday will be in the spotlight, with no change in rates expected. Meanwhile, the cautious mood in the market might lift the Greenback against the Euro (EUR). The major pair currently trades around 1.0872, unchanged for the day. The European Central Bank (ECB) decided to keep borrowing costs at a record high at its March meeting. Nonetheless, the central bank policymakers signaled progress in easing inflation and began discussions about the rate cut. The ECB Governing Council member, Pablo Hernandez de Kos, said that the central bank may start lowering interest rates in June if inflation in the eurozone continues to decline. Meanwhile, ECB policymaker Mario Centeno stated that cutting borrowing costs could help prevent a euro area recession. ECB President Christine Lagarde said that June is the earliest it is likely to cut interest rates after the ECB lowered its forecasts for inflation and estimated it will reach its 2% target in 2025. Looking ahead, market players will keep an eye on the German and Eurozone ZEW Survey on Tuesday.

GBP/USD pair remains under some selling pressure during the early Asian session on Tuesday. The uptick in the US Dollar (USD) above 103.50 and higher US yields provide some support to the major pair. Markets turn cautious ahead of the central bank meetings, including the Federal Reserve (Fed) and Bank of England (BoE) interest rate decisions. At the time of writing, GBP/USD is trading at 1.2726, down 0.02% on the day. On the other hand, UK inflation is moderating, but the BoE remains cautious in its approach until the CPI returns to the 2% target. The BoE is likely to leave interest rates unchanged at 5.25% on Thursday. Investors expect the UK central bank to start cutting rates in August, with one or two further cuts by the end of the year. On the UK docket, the BoE interest rate decision on Thursday will be in the spotlight. Along with the rate decision, BoE policymakers might offer clues about inflation, economic growth, and the labour market outlook.

AUD/USD pair hovers around the key level of 0.6550 amid subdued trading activity as market participants exercise caution ahead of the Reserve Bank of Australia’s (RBA) interest rate decision on Tuesday. Investors will closely monitor RBA Governor Michele Bullock’s press conference for further insights. The central bank is widely anticipated to maintain interest rates at their current levels. Investors are eagerly awaiting interest rate decisions from both the People’s Bank of China (PBoC) and the US Federal Reserve (Fed), which are anticipated to be announced on Wednesday.

USD/ JPY drifts lower for the sixth straight day on Tuesday and weakens to a nearly two-week low against its American counterpart during the Asian session. Growing acceptance that the Bank of Japan (BoJ) will wait until April to exit the negative interest rate policy and the Yield Curve Control (YCC) turns out to be a key factor undermining the JPY. Apart from this, a modest US Dollar (USD) strength, bolstered by reduced bets for steep interest rate cuts by the Federal Reserve (Fed), lifts the USD/JPY pair closer to mid-149.00s.

MARKET INFORMATION AS AT 19.03.2024

Currency Pair	Cross Rate	Resistance	Support
EUR/USD	1.0871/75	1.0897	1.0857
USD/JPY	149.20/24	149.35	148.94
GBP/USD	1.2723/26	1.2744	1.2715
AUD/USD	0.6558/61	0.6572	0.6549
USD/SGD	1.3388/90	1.3417	1.3325
USD/INR	82.96/98	83.17	82.57

CME SECURED OVERNIGHT OFFER RATE AS OF 18.03.2024

Tenor	USD
O/N SOFR	5.31000
01 Month	5.32875
03 Months	5.33251
06 Months	5.27514
12 Months	5.07859

COMMODITIES

Commodities	Unit	Prices	Previous Day Prices
Gold	USD\$ per ounce	2,160.75	2,146.90
Oil (Brent)	USD\$ per Barrel	86.75	85.65
Aluminium HG	USD\$ per MT	2,277.50	2,274.50
Copper	USD\$ per MT	9,089.00	9,072.00
Cotton	USd¢ /lb	94.45	95.77
Sugar	USd¢ /lb	22.16	22.12
CBT Wheat	USd¢ /bu	542.75	532.50
SGX Rubber	USD\$/100 KG	172.00	175.80

POLICY RATES

LKR Standing Deposit Lending Rate	9.00% - 10.00%
USD Fed Funds Rate	5.25% - 5.50%
EUR Rate on Main refinancing	4.50%
GBP Policy Rate	5.25%
AUD Official Cash Rate	4.35%
JPY Official Cash Rate	0.00% - 0.10%

In the energy markets, US Crude Oil climbed over \$82.00 per barrel on Monday, extending a near-term bull. US Crude Oil tested its highest barrel prices since November, hitting a 16-week high of \$82.46 to kick off the new trading week. Energy markets are increasingly concerned that declining Crude Oil supplies will continue into the immediate future. Despite record oil pumping amounts from countries outside of the Organization of the Petroleum Exporting Countries (OPEC), specifically the US, Crude Oil markets are broadly expected to see a medium-term to long-term supply constraint, bumping barrel costs higher.

Gold price (XAU/USD) registers modest gains on Monday amid a quiet session as investors brace for major central banks monetary policy decisions. Even though the Bank of Japan (BoJ), the Bank of England (BoE), and the Federal Reserve (Fed) would announce their decisions, the spotlight is on the latter. A Fed’s hawkish tilt could drive XAU/USD prices toward the \$2,100.00 figure due to market participants’ aggressive short positioning on the Greenback. At the time of writing, Gold trades at around \$2,160.55, which is up 0.22%. The price of the yellow metal remains underpinned by previous speculations that the Fed will begin to ease monetary policy sooner than expected. Nevertheless, during the last week, Bullion tumbled close to 1% as inflation in the consumer and the producer side on the United States (US) surprisingly reaccelerated, spurring a jump in US Treasury bond yields.

ECONOMIC CALENDAR – 19.03.2024

GMT	Details
N/A	JPY – BoJ Interest Rate Decision
09:00	AUD – RBA Interest Rate Decision
15:30	EUR – ZEW Survey Economic Sentiment (Mar)