

02nd July 2026

TREASURY

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FINANCIAL MARKET UPDATE IN BRIEF

The USD/LKR is expected to trade in a range of 332.00 to 340.00 on Wednesday. Market is volatile within this range, with both demand & supply forces presenting challenges to the market direction.

Sri Lanka's Colombo Stock Exchange closed down on Wednesday. The All-Share Price Index closed down 0.09 percent, or 19.58 points, at 22,243.70 while the S&P SL20 was down 0.02 percent, or 1.46 points, at 6,206.51. Market turnover was 1.07 billion rupees.

02.07.2026 Indicative Market levels

	Buying	Selling
USD	332.00	340.00
EUR	376.41	388.88
GBP	439.68	453.68
JPY	2.0365	2.0984
SGD	252.55	266.75
AUD	225.81	238.05

Traded USD Volumes as at 01.07.2026

Cash	15.50
Tom	16.00
Spot	91.50
FWD	09.50

TREASURY BILL/BOND MARKET

The G-Sec market traded with a volume **78.78 Bn** on **01.07.2026**. Indicative T-bond rates closing levels were as follows.

15/03/2028	10.55%-10.65%
01/08/2030	11.30%-11.35%
15/03/2035	11.78%-11.85%

**Strictly indicative and for information only*

Treasury Bill Market (Weighted Average Rates)

	This Week 01.07.2026	Last Week 24.06.2026
91 days	10.23%	10.14%
182 days	10.30%	10.21%
364 days	10.20%	10.17%

LKR Bio	Foreign Holding 25.06.2026	Foreign Holding 01.01.2026	Net Flow (YTD)
T-Bills & T-Bonds	135.85	141.36	(5.51)

MONEY MARKET AT A GLANCE

As of 01.07.2026 (in LKR Bn)

Overnight Market Liquidity	89.83
Term Liquidity	-
Overall Market Liquidity	89.83

Net of Overnight SDF and SLF	89.83
Net of Overnight Repo / (Rev Repo)	-
Overnight Liquidity Support Facility	-
Net of Term Repo / (Rev Repo)	-
Term Liquidity Support Facility	-
Overnight Call Money Rates	8.40% - 9.25%
Overnight Repurchase Rates	9.23% - 9.25%

ECONOMIC INDICATORS

AWPLR as at 26.06.2026	10.39%
Inflation (YoY – June 2026 - CCPI)	6.80%
Inflation (YoY– May 2026 - NCPI)	5.40%
Official Reserves Assets (end May 2026)	US\$ 6,873 Mn
GDP Quarterly growth rate (2026 – Q1)	5.10%

Unemployment Rate (2025 – Q4)	3.80%
Per Capita GDP-2024	US\$ 3,830
Statutory Reserve Ratio (SRR)	2.00%
Trade Balance (Jan – April - 2026)	(US\$ 3,693.0 Mn)
Total Outstanding Government Debt (End Dec 2025)	29,994.69Bn

INTERNATIONAL MARKETS

The US Dollar Index (DXY) hovered near 101.4 on Thursday after sharp swings in the prior session, as investors awaited the June jobs report for clarity on labor market trends and the Federal Reserve's policy direction. Wednesday's data showed slower-than-expected private-sector hiring, while Fed Chair Kevin Warsh noted easing inflation expectations, suggesting no immediate need for rate hikes, though he reaffirmed the Fed's focus on price stability. Markets still anticipate over a 60% chance of a September hike. Meanwhile, the dollar held firm despite increased oil shipments through the Strait of Hormuz and progress in indirect US-Iran talks, which lowered oil prices and helped ease inflation concerns.

The EUR/USD slipped below \$1.14, nearing a one-year low after a 2% drop in June against the US dollar. Investors reacted to weaker-than-expected Eurozone inflation data, with headline CPI falling to 2.8% and core inflation to 2.4%, easing pressure on European Central Bank policymakers. At the ECB's Sintra Forum, President Christine Lagarde noted that risks to inflation and growth have moderated. This comes just weeks after the ECB became the first G7 central bank to raise rates following the Iran war, citing inflation concerns. Since then, the US-Iran peace accord has sharply reduced oil prices, removing a major inflation driver and shifting the economic outlook.

The GBP/USD traded just above \$1.32, near a seven-month low after a 1.4% decline in June against the dollar, pressured by political uncertainty, a stronger greenback, and the Bank of England's dovish stance. Sterling reached a one-year high against the euro as softer Eurozone inflation weighed on the single currency. Investors focused on signals from the ECB's Sintra Forum. Bank of England Governor Andrew Bailey reiterated a cautious outlook, noting a softening UK economy and defending May's decision to hold rates at 3.75%. He ruled out imminent cuts due to persistent inflation risks, though falling energy prices showed progress. Political developments also influenced markets, with fiscal concerns easing after Andy Burnham's discipline pledge.

The AUD/USD stayed below \$0.690, near a three-month low, as weaker trade data and reduced expectations for further rate hikes weighed on sentiment. Australia reported a AUD 3.02 billion trade deficit in May, the largest since December 2015, with exports falling to a four-month low while imports hit a record high. Global inflation risks eased after the reopening of the Strait of Hormuz drove oil prices back to pre-war levels, further dampening prospects for monetary tightening. Markets now assign only a 15% chance of an August move by the Reserve Bank and see a 50% probability that the tightening cycle has ended, reflecting a shift in investor expectations.

The USD/JPY stayed near 162.5 per dollar on Thursday, its weakest level in forty years, keeping traders alert for possible intervention during the upcoming U.S. holiday when thin liquidity could amplify official moves. Finance Minister Satsuki Katayama reiterated that authorities are prepared to act at any time. Market expectations for rate hikes have eased recently, showing little urgency to raise interest rates. Investors remain doubtful that the Bank of Japan will speed up policy tightening, as it continues gradual normalization. Persistent carry trades and the wide interest rate gap between Japan and the U.S. continue to weigh heavily on the yen.

MARKET INFORMATION AS AT 02.07.2026

Currency Pair	Cross Rate	Resistance	Support
EUR/USD	1.1380	1.1395	1.1366
USD/JPY	162.51	162.60	162.43
GBP/USD	1.3285	1.3302	1.3269
AUD/USD	0.6893	0.6906	0.6881
USD/SGD	1.2951	1.2974	1.2935
USD/INR	94.97	95.48	94.38

CME SECURED OVERNIGHT OFFER RATE AS OF 01.07.2026

Tenor	USD
O/N SOFR	3.68000
01 Month	3.66407
03 Month	3.75019
06 Months	3.86745
12 Months	4.01188

COMMODITIES

Commodities	Unit	Prices	Previous Day Prices
Gold	USD\$ per ounce	4,067.68	3,979.11
Oil (Brent)	USD\$ per Barrel	70.74	73.34
Aluminum HG	USD\$ per MT	3,076.00	3,085.50
Copper	USD\$ per MT	13,298.50	13,375.50
Cotton	USD¢ /lb	77.55	77.54
Sugar	USD¢ /lb	14.99	14.82
CBT Wheat	USD¢ /bu	600.00	596.75
SGX Rubber	USD\$/100 KG	208.00	210.60

In the energy markets, oil prices dropped about 1% on Thursday, down for a third consecutive day, after Qatar said Iran and the U.S. had made progress in indirect talks focused on the Strait of Hormuz, which handled one-fifth of global oil supply before the war.

Brent futures lost 77 cents or 1.1% to \$70.80 a barrel by 0256 GMT, while U.S. West Texas Intermediate crude fell 84 cents or 1.2% to \$67.74 a barrel.

Gold prices rose on Thursday, supported by softer than expected jobs data and lower oil prices, while the market's focus turned to today's U.S. payrolls report for fresh cues on the Federal Reserve's trajectory.

Spot gold rose 0.7% to \$4,057.92 per ounce, as of 0251 GMT, after touching its highest level since June 23 in the previous session. U.S. gold futures for August delivery inched 0.3% lower to \$4,070.10.

POLICY RATES

LKR Overnight Policy Rate (OPR)	8.75%
USD Fed Funds Target Range Rate	3.50% - 3.75%
EUR Deposit facility Rate	2.40%
GBP Policy Rate	3.75%
AUD Official Cash Rate	4.35%
JPY Official Cash Rate	1.00%

ECONOMIC CALENDAR – 02.07.2026

GMT	Details
12:30	USD - Nonfarm Payrolls (Jun)
12:30	USD - Initial Jobless Claims