

TREASURY COMMENTARY – 22nd January 2025

DOMESTIC MARKET

USD/LKR

The USD/LKR market is active and is trading around the level of 293.50 and 300.50. The rupee has depreciated by approximately 1.19% against the USD from the beginning of the year.

USD/LKR Market Volume (USD Mn) on 21.01.2025

Cash	3.25
Tom	15.00
Spot	43.00
Forward	39.00

MONEY

Overnight call-money traded at 8.00% on Tuesday (21.01.2025). Net market liquidity was a surplus of Rs 122.45 Bn on Tuesday from a surplus of Rs 134.69 Bn on Monday.

GLOBAL MARKETS

FOREIGN EXCHANGE

The dollar drifted slightly lower on Wednesday in indecisive trading as a lack of clarity on President Donald Trump's plans for tariffs kept financial markets guessing.

The dollar index, which tracks the currency against the euro, yen and four other top rivals, was down 0.14% at 108. While the euro slipped 0.07% to \$1.0420.

The yen edged up slightly to 155.40 per dollar. Expectations have been growing that the Bank of Japan will raise rates by a quarter point on Friday, supporting the yen. China's yuan was flat at 7.2735 per dollar in offshore trading, after pushing to the strongest level since Dec. 11 on Tuesday at 7.2530.

The Australian and New Zealand dollars were again buffeted by uncertainty over U.S. tariff policy on Wednesday, while kiwi bonds rallied as a benign reading on inflation left the door wide open to more rate cuts there.

The Aussie eased 0.2% to \$0.6262, but remained well above a recent five-year trough of \$0.6131. It now faces tough resistance around \$0.6302. The kiwi dollar dipped 0.3% to \$0.5663, but again held above its recent trough of \$0.5542. Resistance lies around \$0.5693.

COMMODITIES

Gold prices climbed to a fresh 11-week peak on Wednesday, boosted by safe haven demand amid uncertainty surrounding U.S. President Donald Trump's trade policies and a softer dollar.

Oil prices were little changed in early trading on Wednesday as markets weighed U.S. President Donald Trump's declaration of a national energy emergency on his first day in office and its impact on supply.

ECONOMIC INDICATORS

Bond Curve



AWPLR %
 Week ending 01/17 **8.65**
 Week ago 8.74
 Year ago 11.87

AWDR %
 December **2024** 7.53
 November **2024** 7.59
 Year ago 11.64

T BILL%
3M 08.33
6M 08.44
1Y 08.80

INFLATION (%)
 (Base:2021=100)

	October 2024	November 2024	December 2024	Year ago
--	--------------	---------------	---------------	----------

NCPI (YoY)	-0.7	-1.7	-2.0	4.2
NCPI (core)	1.7	1.5	1.3	0.9
CCPI(YoY)	-0.8	- 2.1	-1.7	4.0
CCPI (core)	3.0	2.7	2.7	0.6

CBSL reserves (USD) – Dec. 24"	6.091 Bn
CBSL T-bill/bond holding	2,511.92 Bn
Market liquidity	122.45 Bn
Foreign holding LKR bills/bonds	72.23 Bn

	O/N	1M	3M	6M	12M
USD SOFR	4.2900	4.3021	4.2903	4.2521	4.1946
EUR ESTR	2.9190	2.7790	2.6080	2.4130	2.2250
GBP SONIA	4.7000	4.5975	4.5177	4.4441	4.3540

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(lka.)