

TREASURY COMMENTARY – 23rd January 2025

DOMESTIC MARKET

USD/LKR

The USD/LKR market is active and is trading around the level of 294.50 and 301.50. The rupee has depreciated by approximately 1.53% against the USD from the beginning of the year.

USD/LKR Market Volume (USD Mn) on 22.01.2025

| | |
|---------|-------|
| Cash | 2.77 |
| Tom | 4.00 |
| Spot | 18.10 |
| Forward | 26.20 |

MONEY

Overnight call-money traded at 8.00% on Wednesday (22.01.2025). Net market liquidity was a surplus of Rs 148.47 Bn on Wednesday from a surplus of Rs 122.45 Bn on Tuesday

GLOBAL MARKETS

FOREIGN EXCHANGE

The dollar steadied against major peers on Thursday, continuing its near paralysis of the past two days before more concrete announcements on tariffs from U.S. President Donald Trump. The dollar index which measures the currency versus six top rivals, including the euro and yen, was flat at 108.25, following two days of gains of around 0.1%.

The euro was flat at \$1.0411. The ECB is widely expected to cut rates by a quarter point next week. The pound rose for a third day to hit a two-week high against the dollar on Wednesday, as a lack of clarity on U.S. President Donald Trump's tariff plans kept a lid on the greenback. Sterling was up 0.1% at \$1.2376, its highest since Jan. 8.

The Chinese yuan was little changed at 7.2812 per dollar in offshore trading. Japan's yen edged up about 0.1% to 156.40 with markets pricing 95% odds of a quarter-point hike on Friday.

The Australian and New Zealand dollars clung onto gains against the yen on Thursday as traders braced for an interest rate decision from the Bank of Japan, while tariff uncertainty kept the two mostly steady against the greenback.

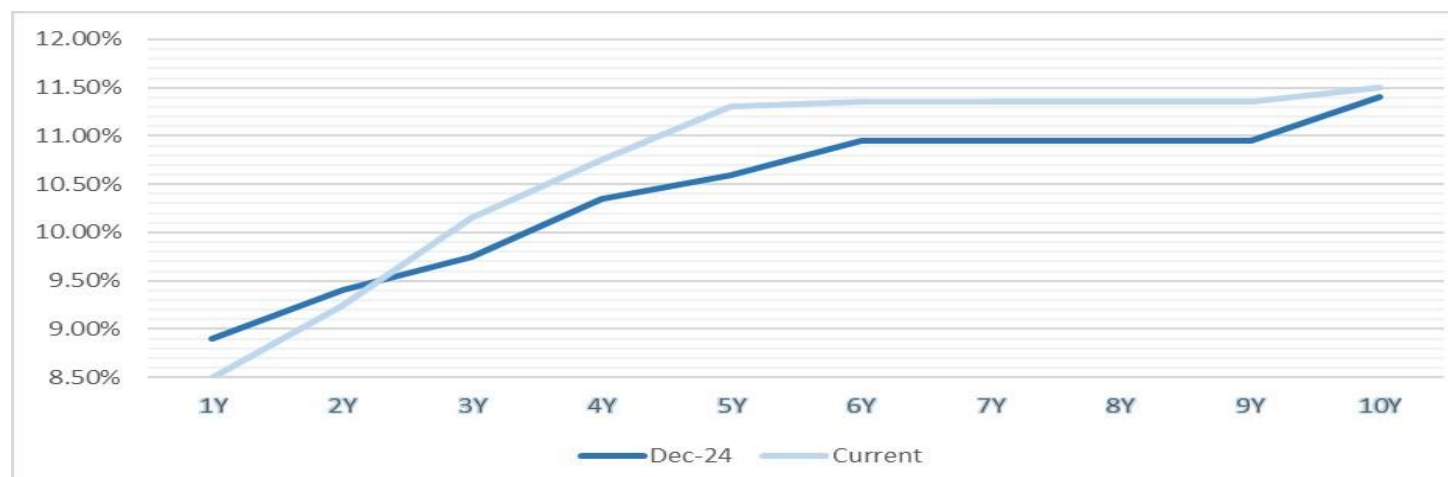
COMMODITIES

Gold held steady near its record high on Thursday as investors awaited further direction from the new Trump administration regarding potential tax cuts and trade policies.

Oil prices dipped in early trade on Thursday, extending losses amid uncertainty over how proposed tariffs by U.S. President Donald Trump on several countries would impact global economic growth and energy demand.

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 | 08.12 |
| 6M | 08.25 |
| 1Y | 08.63 |

| 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 | 148.47 Bn |
| Foreign holding LKR bills/bonds | 72.23 Bn |

| | O/N | 1M | 3M | 6M | 12M |
|-----------|--------|--------|--------|--------|--------|
| USD SOFR | 4.2900 | 4.3048 | 4.2966 | 4.2622 | 4.2072 |
| EUR ESTR | 2.9190 | 2.7740 | 2.6030 | 2.4080 | 2.2210 |
| GBP SONIA | 4.7000 | 4.5825 | 4.5124 | 4.4306 | 4.3257 |

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