

TREASURY COMMENTARY – 31st January 2025

DOMESTIC MARKET

USD/LKR

The USD/LKR market is active and is trading around the level of 296.50 and 298.75. The rupee has depreciated by approximately 1.28% against the USD from the beginning of the year.

USD/LKR Market Volume (USD Mn) on 30.01.2025

Cash	10.35
Tom	6.00
Spot	29.75
Forward	18.00

MONEY

Overnight call-money traded at 8.00% on Thursday (30.01.2025). Net market liquidity was a surplus of Rs 194.56 Bn on Thursday from a surplus of Rs 184.05 Bn on Wednesday.

GLOBAL MARKETS

FOREIGN EXCHANGE

The yen was on track for its best monthly start to the year since 2018 on Friday, helped by the view that the Bank of Japan (BOJ) is likely to keep raising rates this year while its global peers elsewhere look to ease policy. The yen was a touch stronger at 154.19 per dollar, having already climbed more than 1% for the week thus far. It was set to gain 1.9% for the month, which would mark its best January performance in seven years.

The euro bought \$1.0392 and was headed for a weekly fall of 0.9%, after the European Central Bank (ECB) cut interest rates on Thursday and policymakers guided for a further reduction in March, as concerns over lacklustre economic growth supersede worries about persistent inflation. Traders also see a similar outcome at next week's Bank of England (BoE) policy meeting, where a 25-basis-point rate cut has been priced in. Ahead of that, sterling traded 0.05% higher at \$1.2423, though was on track to lose 0.7% for the month.

Australian dollar was little changed at \$0.6209 and was set for a weekly decline of 1.7%, its steepest in over a month. The New Zealand dollar fell 0.13% to \$0.5628 and was similarly on track to lose 1.3% for the week.

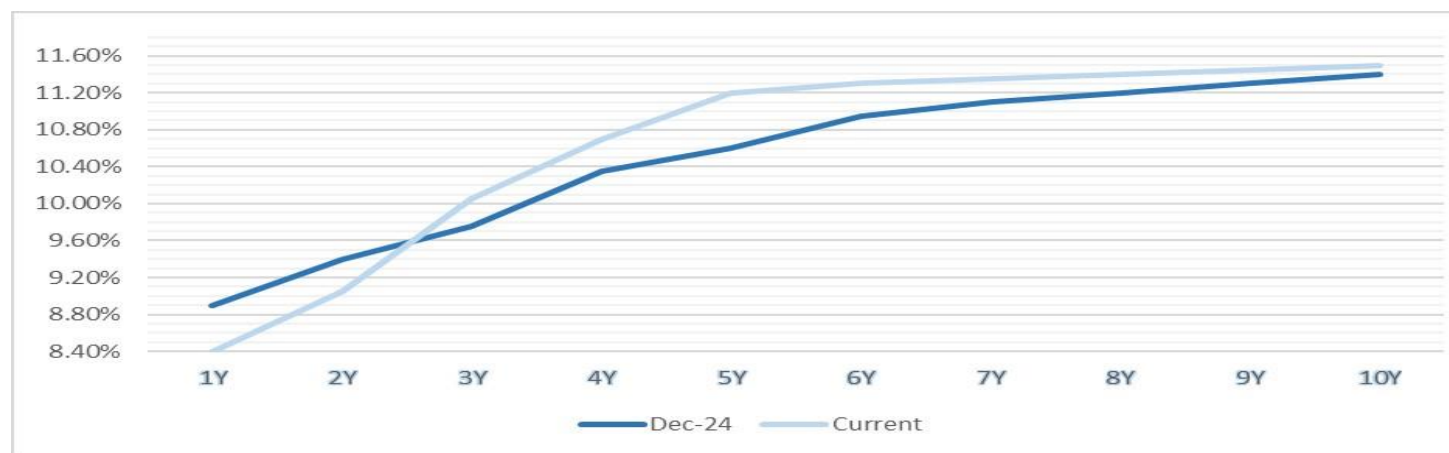
COMMODITIES

Gold prices hit a fresh high on Friday and were set for a fifth straight weekly gain, as market participants worried about U.S. tariff threats while awaiting a key inflation report to assess the Federal Reserve's policy path.

Oil prices rose on Friday as markets weigh the threat of tariffs by U.S. President Donald Trump on Mexico and Canada, the two largest crude exporters to the U.S., that could take effect this weekend.

ECONOMIC INDICATORS

Bond Curve



AWPLR %
 Week ending 01/24 **8.67**
 Week ago 8.65
 Year ago 11.78

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

T BILL%
3M 07.93
6M 08.09
1Y 08.47

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	194.56 Bn
Foreign holding LKR bills/bonds	79.99 Bn

	O/N	1M	3M	6M	12M
USD SOFR	4.3500	4.3086	4.2907	4.2386	4.1584
EUR ESTR	2.9230	2.7170	2.5610	2.4110	2.2520
GBP SONIA	4.7006	4.5254	4.4801	4.3959	4.2790

TREASURY DIVISION
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(Sources: Reuters, Bloomberg)