

TREASURY COMMENTARY – 11th December 2024

DOMESTIC MARKET

USD/LKR

The USD/LKR market is active and is trading around the level of 286.75 and 293.75. The rupee has appreciated by approximately 10.44% against the USD from the beginning of the year.

USD/LKR Market Volume (USD Mn) on 10.12.2024

Cash	9.03
Tom	16.00
Spot	34.25
Forward	33.50

MONEY

Overnight call-money traded at 8.04% on Tuesday (10.12.2024). Net market liquidity was a surplus of Rs 188.91 Bn on Tuesday from a surplus of Rs 220.43 Bn on Monday.

GLOBAL MARKETS

FOREIGN EXCHANGE

The dollar index, which measures the currency against the yen and five other major peers, was steady at 106.36, after rising to a one-week high of 106.63 in the previous session. The dollar traded close to a two-week high versus the yen on Wednesday ahead of a highly anticipated reading of U.S. inflation that could provide clues on the pace of Federal Reserve interest rate cuts.

The European Central Bank policy decision on Thursday is the main event investors are focusing for the remainder of this week, with markets certain of at least a quarter-point reduction. The euro was steady at \$1.052975. Sterling was little changed at \$1.2777.

The dollar eased 0.12% to 151.80 yen, but remained close to the overnight peak of 152.18 yen, its strongest level since Nov. 27.

The antipodean currencies got a boost at the start of the week after Beijing pledged more fiscal and monetary support for the economy next year, although that was overshadowed by Tuesday's Reserve Bank of Australia (RBA) dovish statement. RBA kept interest rates unchanged at 4.35% on Tuesday, but softened its hawkish stance by dropping a previous reference for policy needing to stay restrictive. The Aussie was little changed at \$0.6380 after dipping to \$0.63655 a day earlier for the first time since Aug. 5. The kiwi was steady at \$0.57985 after sliding to \$0.5792 on Tuesday, a level not seen since November of last year.

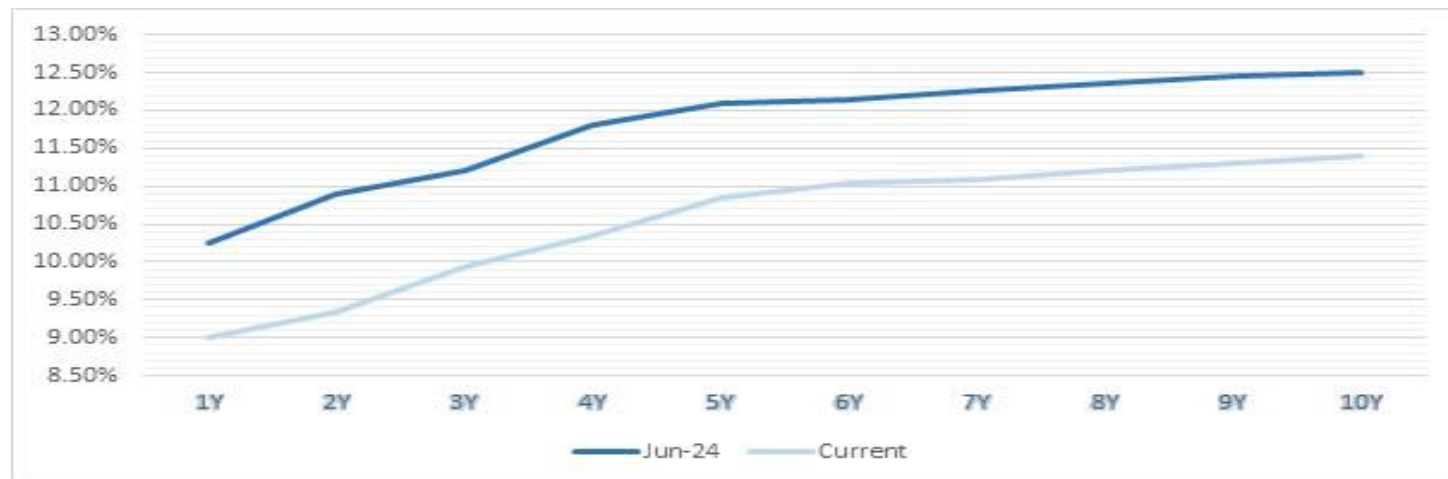
COMMODITIES

Gold prices nudged higher to touch a two-week peak on Wednesday, supported by escalating geopolitical tensions and expectations of another rate cut by the Federal Reserve next week, ahead of a closely watched U.S. inflation report.

Oil prices rose slightly early on Wednesday, with market participants expecting to see demand rising in China next year after Beijing announced a looser monetary policy to stimulate economic growth.

ECONOMIC INDICATORS

Bond Curve



AWPLR %	AWDR %	T BILL%
Week ending 12/06 9.09	November 2024 7.59	3M 08.73
Week ago 9.10	October 2024 7.61	6M 08.94
Year ago 13.03	Year ago 12.11	1Y 09.08

INFLATION (%) (Base:2021=100)	September 2024	October 2024	November 2024	Year ago
NCPI (YoY)	-0.2	-0.7	-	2.8
NCPI (core)	1.9	1.7	-	0.8
CCPI(YoY)	-0.5	- 0.8	- 2.1	3.4
CCPI (core)	3.3	3.0	2.7	0.8

CBSL reserves (USD) – Nov. 24"	6.462 Bn
CBSL T-bill/bond holding	2,515.62 Bn
Market liquidity	188.91 Bn
Foreign holding LKR bills/bonds	68.14 Bn

	O/N	1M	3M	6M	12M
USD SOFR	4.6300	4.4465	4.3921	4.2859	4.1308
EUR ESTR	3.1660	2.9580	2.8090	2.4800	2.1350
GBP SONIA	4.7000	4.6993	4.6433	4.5304	4.3441

TREASURY DIVISION Level-11

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