

## TREASURY COMMENTARY – 24<sup>th</sup> December 2024

### DOMESTIC MARKET

#### USD/LKR

The USD/LKR market is active and is trading around the level of 292.50 and 299.50. The rupee has appreciated by approximately 8.67% against the USD from the beginning of the year.

#### USD/LKR Market Volume (USD Mn) on 23.12.2024

Cash	8.00
Tom	-
Spot	61.10
Forward	20.20

#### MONEY

Overnight call-money traded at 8.00% on Monday (23.12.2024). Net market liquidity was a surplus of Rs 197.51 Bn on Monday from a surplus of Rs 171.15 Bn on Friday.

### GLOBAL MARKETS

#### FOREIGN EXCHANGE

The dollar was on the front foot on Tuesday as the prospect of higher-for-longer U.S. interest rates remained top of investors' minds, leaving other currencies struggling near milestone lows. In a holiday-curtailed week, trading volumes are likely to thin out as the year-end approaches. The lack of major economic data releases also means the rates theme is likely to remain the main driver of moves in the foreign exchange market.

Against a basket of currencies, the U.S. dollar was perched near a two-year peak of 108.54. It was at 108.10. Elsewhere, the euro bought \$1.0403 but was not far from a two-year low it touched in November, while sterling eased 0.01% to \$1.2534.

The yen was pinned near a five-month low and stood at 157.19 per dollar, having already fallen 4.7% this month into territory that is keeping traders on alert to any intervention from Japanese authorities. The Bank of Japan (BOJ) last week kept rates on hold and stayed vague on when it could next raise rates, an outcome which was in stark contrast to the Federal Reserve's hawkish tone just a day earlier, where it projected a measured pace of rate cuts in 2025.

That left the Aussie idling at \$0.6241, just above its recent two-year trough of \$0.6199. Resistance lies around \$0.6339, with major support at a 2022 low of \$0.6170. The kiwi dollar was likewise stuck at \$0.5640, having hit a two-year low of \$0.5608 last week. Support lies at its 2022 nadir of \$0.5512, while resistance is all the way up at \$0.5758.

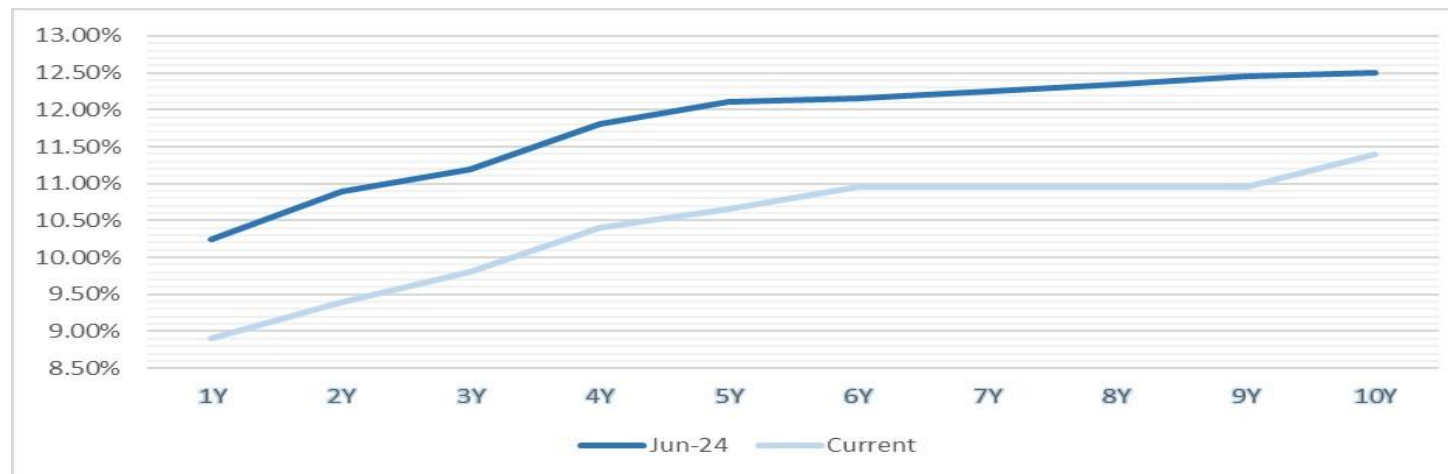
#### COMMODITIES

Gold prices held steady on Tuesday, with investors bracing for a less aggressive path of interest rate cuts from the Federal Reserve next year, ahead of a shortened trading week due to the Christmas holiday.

Oil prices were up on Tuesday in thin trade ahead of the Christmas Day holiday, with prices supported by U.S. economic data and rising oil demand in India, the world's third-largest oil importer.

# ECONOMIC INDICATORS

## Bond Curve



**AWPLR %**  
 Week ending 12/20 **8.72**  
 Week ago 8.82  
 Year ago 12.46

**AWDR %**  
 November **2024** 7.59  
 October **2024** 7.61  
 Year ago 12.11

**T BILL%**  
**3M** 08.66  
**6M** 08.81  
**1Y** 09.02

INFLATION (%) (Base:2021=100)	September 2024	October 2024	November 2024	Year ago
NCPI (YoY)	-0.2	-0.7	-1.7	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	197.51 Bn
Foreign holding LKR bills/bonds	66.55Bn

	O/N	1M	3M	6M	12M
USD SOFR	4.3000	4.3387	4.3259	4.2715	4.2108
EUR ESTR	2.9120	2.9140	2.7320	2.4350	2.1340
GBP SONIA	4.7000	4.7095	4.6420	4.5786	4.4700

### TREASURY DIVISION Level-11

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