

TREASURY COMMENTARY – 27th December 2024

DOMESTIC MARKET

USD/LKR

The USD/LKR market is active and is trading around the level of 289.50 and 296.50. The rupee has appreciated by approximately 9.59% against the USD from the beginning of the year.

USD/LKR Market Volume (USD Mn) on 26.12.2024

Cash	4.20
Tom	1.00
Spot	44.85
Forward	3.50

MONEY

Overnight call-money traded at 8.00% on Thursday (26.12.2024). Net market liquidity was a surplus of Rs 160.30 Bn on Thursday from a surplus of Rs 159.37 Bn on Tuesday.

GLOBAL MARKETS

FOREIGN EXCHANGE

Many traders are on holiday around Christmas and the New Year. The yen hovered near a five-month low to the dollar on Friday as the U.S. Federal Reserve's hawkish messaging contrasted with the Bank of Japan's cautious approach to further policy tightening. The yen traded at 157.725 per dollar, edging up 0.1% from Thursday, but still close to the low of that session at 158.09 per dollar, the yen's weakest level since July 17. The dollar is on track for a 5.4% gain this month against the yen, and an 11.9% advance for the year.

The U.S. dollar index, which measures the currency against the Yen, Euro, Sterling and three other major rivals, was steady at 108.09 and has been essentially in a holding pattern around that level all week. For the month, it is up 2.2%.

The euro was flat at \$1.0421, down 1.5% so far in December. Sterling was little changed at \$1.25275 on the day, and down 1.7% for the month.

The Australian and New Zealand dollars were set for weekly losses on Friday as they wobbled towards two-year lows in holiday-thinned trade, while the technical outlook remained deeply bearish. The Aussie was idling at \$0.6219, having lost 0.8% overnight to as low as \$0.6216. It is headed for a weekly loss of 0.5% and hovered just above a two-year trough of \$0.6199. The kiwi dollar was struggling at \$0.5623, after falling 1% overnight to as far as \$0.5622. It is also down 0.5% this week to be within a striking distance of its two-year low of \$0.5608 hit last week.

COMMODITIES

Gold prices were trading flat on Friday, but were set for a weekly rise, as markets awaited signals on the U.S. economy under the incoming Donald Trump administration and the Federal Reserve's interest rate strategy for 2025.

Oil prices were little changed on Friday but were set for a weekly rise amid optimism economic stimulus efforts will prompt a recovery in China, the world's biggest 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 08.62
6M 08.77
1Y 08.96

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	1.50	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	160.30 Bn
Foreign holding LKR bills/bonds	66.55Bn

	O/N	1M	3M	6M	12M
USD SOFR	4.4000	4.3446	4.3246	4.2820	4.2402
EUR ESTR	2.9070	2.9150	2.7140	2.4240	2.1330
GBP SONIA	4.7000	4.7088	4.6400	4.5785	4.4840

TREASURY DIVISION
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