

TREASURY COMMENTARY – 30th December 2024

DOMESTIC MARKET

USD/LKR

The USD/LKR market is active and is trading around the level of 289.00 and 296.00. The rupee has appreciated by approximately 9.75% against the USD from the beginning of the year.

USD/LKR Market Volume (USD Mn) on 27.12.2024

| | |
|---------|-------|
| Cash | 0.65 |
| Tom | 1.00 |
| Spot | 54.50 |
| Forward | 21.50 |

MONEY

Overnight call-money traded at 7.99% on Friday (27.12.2024). Net market liquidity was a surplus of Rs 173.27 Bn on Friday from a surplus of Rs 160.30 Bn on Thursday.

GLOBAL MARKETS

FOREIGN EXCHANGE

The Japanese yen traded around five-month lows on Monday against a dollar underpinned by rising U.S. yields as thin year-end liquidity kept most currencies in tight ranges. The yen was changing hands at 157.71 with only the risk of Japanese intervention preventing another test of the 160 level last seen in July.

The dollar index measure against major rivals was flat at 107.98.

The euro stood at \$1.0429, not far from recent troughs and in a holding pattern in holiday trading. The currency is heading for a calendar-year drop of roughly 5.5% on the dollar.

The Canadian dollar strengthened against the greenback on Monday, and the yield on benchmark government debt climbed. The loonie was trading 0.1% higher at C\$1.4394 to the greenback, or 69.47 U.S. cents, after trading in a range of 1.4376 to 1.4415.

The Australian and New Zealand dollars were pinned near recent lows on Monday as yield spreads widened in favour of their U.S. counterpart and speculators eyed breaks of major chart support. The Aussie was stuck at \$0.6422, perilously close to its recent two-year trough of \$0.6399. The next bear target is a low from 2022 at \$0.6170. The kiwi dollar was flat at \$0.5639, again not far from a two-year low of \$0.5608. Its 2022 nadir is at \$0.5512.

COMMODITIES

Gold prices slipped on Monday as elevated U.S. Treasury yields dimmed non-yielding bullion's allure in a holiday-thinned week, with markets focused on President-elect Donald Trump's return to office and the potential impact of his inflationary policies on the Fed's 2025 outlook.

Oil prices slipped lower on Monday in thin holiday trade ahead of the year-end as traders awaited more economic data from China and the U.S. later this week to assess growth in the world's two largest oil consumers.

ECONOMIC INDICATORS

Bond Curve



AWPLR %
Week ending 12/27 9.06
Week ago 8.72
Year ago 12.19

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 | - | 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 | 173.27 Bn |
| Foreign holding LKR bills/bonds | 69.26Bn |

| | O/N | 1M | 3M | 6M | 12M |
|-----------|--------|--------|--------|--------|--------|
| USD SOFR | 4.5300 | 4.3570 | 4.3288 | 4.2849 | 4.2393 |
| EUR ESTR | 2.9070 | 2.9150 | 2.6810 | 2.3910 | 2.1000 |
| GBP SONIA | 4.7000 | 4.7100 | 4.6350 | 4.5780 | 4.4868 |

TREASURY DIVISION Level-11

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(Sources: Reuters, Bloomberg)