

## TREASURY COMMENTARY – 2<sup>nd</sup> January 2025

### DOMESTIC MARKET

#### USD/LKR

The USD/LKR market is active and is trading around the level of 289.25 and 296.25. The rupee has appreciated by approximately 0.25% against the USD from the beginning of the year.

#### USD/LKR Market Volume (USD Mn) on 01.01.2024

Cash	-
Tom	-
Spot	31.50
Forward	4.50

#### MONEY

Overnight call-money traded at 8.00% on Wednesday (01.01.2025). Net market liquidity was a surplus of Rs 149.50 Bn on Wednesday from a surplus of Rs 168.11 Bn on Tuesday.

### GLOBAL MARKETS

#### FOREIGN EXCHANGE

The U.S. dollar kicked off 2025 on the front foot on Thursday after a strong year of gain against most currencies, with the yen sliding toward its lowest level in more than five months as investors ponder U.S. interest rates staying higher for longer. Market focus early in the year will be on the incoming Trump administration and its policies that are widely expected to not only boost growth but also add to price pressure, underpinning U.S. Treasury yields and boosting dollar demand. A wide interest rate difference between the U.S. and other economies has cast a shadow over the currency market, resulting in most currencies declining sharply against the dollar in 2024.

The euro was steady at \$1.0353 after dropping more than 6% in 2024. Markets anticipate deeper interest rate cuts from the European Central Bank in 2025, with markets pricing in 113 basis points of easing versus 42 bps of cuts priced in from the U.S. central bank. Sterling fetched \$1.2519. It fell 1.7% last year but was nevertheless the best-performing G10 currency versus the dollar, mainly as the British economy held up better than was widely expected.

The Australian and New Zealand dollars both started the new year higher but remain close to the two-year lows touched on Tuesday. The Aussie was 0.1% higher at \$0.6199 after a drop of around 9.2% in 2024, its weakest yearly performance since 2018. The kiwi clocked an 11.4% decline last year, its softest performance since 2015. On Thursday, it rose 0.27% at \$0.5603.

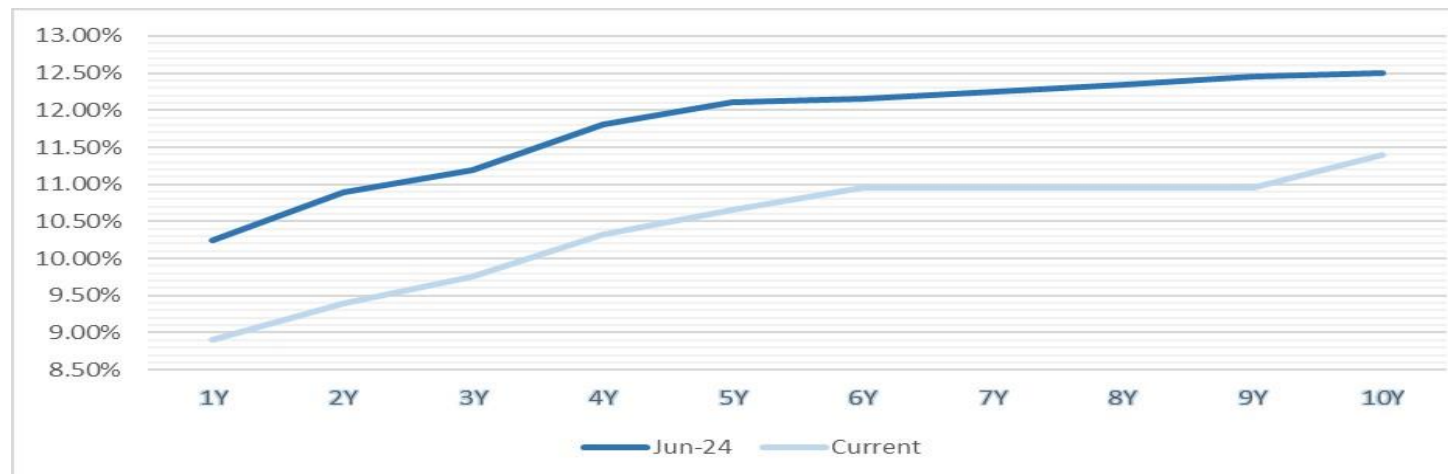
#### COMMODITIES

Gold kicked off the New Year on a positive note after a stellar 2024, as market participants waited for more clues on the U.S. Federal Reserve's interest rate outlook and President-elect Donald Trump's tariff policies.

Oil prices nudged higher on Thursday, the first day of trade for 2025, as investors returning from holidays cautiously eyed a recovery in China's economy and fuel demand following a pledge by President Xi Jinping to promote growth.

# ECONOMIC INDICATORS

## Bond Curve



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

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

**T BILL%**  
**3M** 08.55  
**6M** 08.72  
**1Y** 08.94

**INFLATION (%)**  
 (Base:2021=100)

	October 2024	November 2024	December 2024	Year ago
NCPI (YoY)	-0.7	-1.7	-	4.2
NCPI (core)	1.7	1.5	-	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) – Nov. 24"	6.462 Bn
CBSL T-bill/bond holding	2,515.62 Bn
Market liquidity	149.50 Bn
Foreign holding LKR bills/bonds	69.26 Bn

	O/N	1M	3M	6M	12M
USD SOFR	4.3700	4.3324	4.3051	4.2500	4.1750
EUR ESTR	2.9130	2.9150	2.6680	2.3850	2.1290
GBP SONIA	4.7000	4.7101	4.6192	4.5610	4.4600

**TREASURY DIVISION**  
 Level-11

**Tel: FX: 2664843-6 (Vajira/Chaaminda/Manjuli/Madhushani/Anjula/Chandike)**  
**Interest Rates: 2664850-3 (Vajira/Sanka/Pasan/Manjuli/Anjula)**  
**E-mail: [forex@hnb.lk](mailto:forex@hnb.lk) Fax: 2664854 Fitch Rating: A(lka.)**