

## TREASURY COMMENTARY – 3<sup>rd</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 02.01.2024

Cash	23.75
Tom	29.00
Spot	25.60
Forward	48.50

#### MONEY

Overnight call-money traded at 8.00% on Thursday (02.01.2025). Net market liquidity was a surplus of Rs 149.36 Bn on Thursday from a surplus of Rs 149.50 Bn on Wednesday.

### GLOBAL MARKETS

#### FOREIGN EXCHANGE

The dollar was on track for its best weekly performance in over a month on Friday, underpinned by expectations of fewer Federal Reserve rate cuts this year and the view that the U.S. economy will continue to outperform the rest of its peers globally. The greenback began the new year on a strong note reaching a more than two-year high of 109.54 against a basket of currencies on Thursday as it extended a stellar rally from last year.

The euro was meanwhile among the biggest losers against a towering dollar, having tumbled 0.86% in the previous session to a more than two-year low of \$1.022475. As far as the euro zone's concerned, there could be the direct impact of higher trade tariffs on the euro zone or (its) economies, but even perhaps more pertinently, the higher tariffs on China, which will also sort of be that weakness in the euro zone. The common currency bought \$1.0272 and was headed for a 1.6% weekly decline, its worst since November. Similarly, sterling ticked up 0.04% to \$1.2385, after sliding 1.16% on Thursday. It was on track to lose roughly 1.6% for the week.

Down Under, the Australian dollar edged 0.2% higher to \$0.6216 but remained pinned near a more than two-year low, and was on track to decline 0.2% for the week. The New Zealand dollar rose 0.17% to \$0.56065, but was likewise headed for a weekly loss of 0.66%.

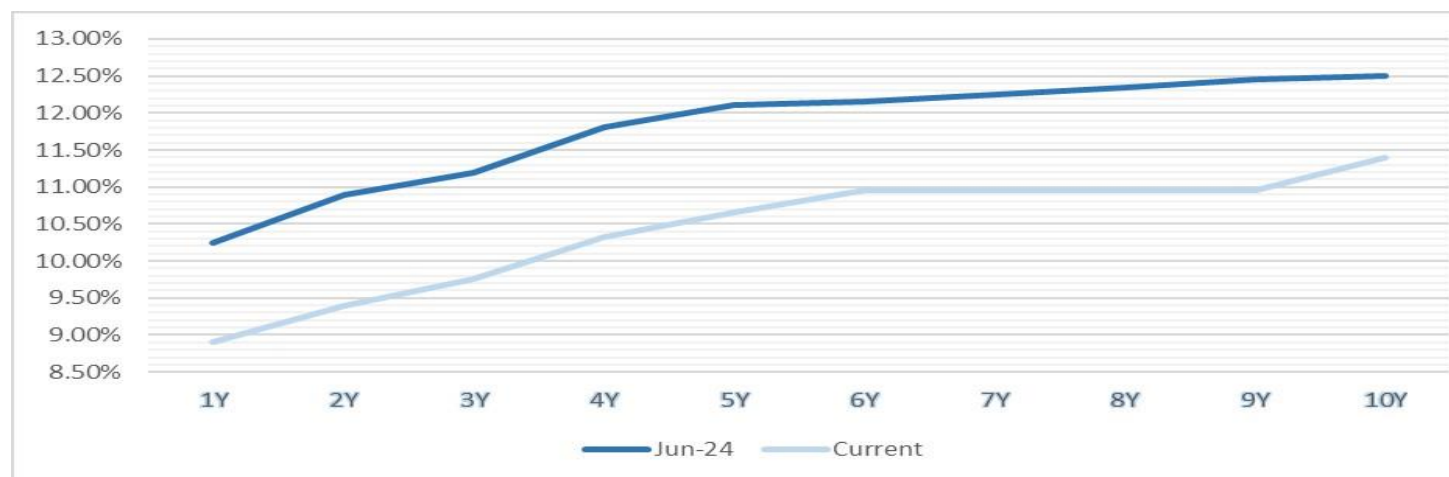
#### COMMODITIES

Gold prices edged higher on Friday, building on a 1% gain from the previous session, boosted by safe-haven demand, while focus on the Fed's rate outlook and U.S. President-elect Trump's proposed trade tariffs.

Oil prices extended their gains on Friday after closing at their highest in more than two months in the previous session on hopes governments across the world may increase policy support to revive economic growth that would lift fuel demand.

# 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	149.36 Bn
Foreign holding LKR bills/bonds	69.26 Bn

	O/N	1M	3M	6M	12M
USD SOFR	4.4900	4.3255	4.2960	4.2378	4.1624
EUR ESTR	2.9130	2.9150	2.6630	2.3820	2.1120
GBP SONIA	4.7003	4.7115	4.6141	4.5444	4.4353

### TREASURY DIVISION Level-11

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