

TREASURY COMMENTARY – 6th January 2025

DOMESTIC MARKET

USD/LKR

The USD/LKR market is active and is trading around the level of 290.25 and 297.25. The rupee has depreciated by approximately 0.08% against the USD from the beginning of the year.

USD/LKR Market Volume (USD Mn) on 03.01.2024

Cash	12.88
Tom	1.00
Spot	44.00
Forward	54.50

MONEY

Overnight call-money traded at 7.99% on Friday (03.01.2025). Net market liquidity was a surplus of Rs 160.16 Bn on Friday from a surplus of Rs 149.36 Bn on Thursday.

GLOBAL MARKETS

FOREIGN EXCHANGE

The dollar eased a touch on Monday but stayed close to a two-year peak, as traders awaited a raft of U.S. economic data releases this week headlined by December's nonfarm payrolls report, for further clues on the Federal Reserve's rate outlook. Also in focus was the Chinese yuan, which on Friday weakened past the psychological level of 7.3 per dollar in the onshore market for the first time in 14 months, after the People's Bank of China (PBOC) had aggressively defended that key threshold for most of December.

The dollar has continued to draw strength from expectations of fewer Fed cuts this year, with its climb to a two-year high last week pushing the euro to its weakest level in more than two years. The common currency traded 0.05% higher at \$1.0314, while the dollar index eased slightly to 108.87. Sterling rose 0.12% to \$1.2439. The yen fell 0.24% to 157.67 per dollar.

The Australian and New Zealand dollars, often used as liquid proxies for the yuan, were hardly affected by Friday's move lower in the Chinese currency, as they both traded roughly 0.3% higher in the Asian session. The Aussie bought \$0.6232, while the kiwi rose 0.27% to \$0.5627.

Markets appear to have largely priced that in and might welcome an election to clarify matters, which left the U.S. dollar falling 0.37% against its Canadian counterpart to C\$1.4394

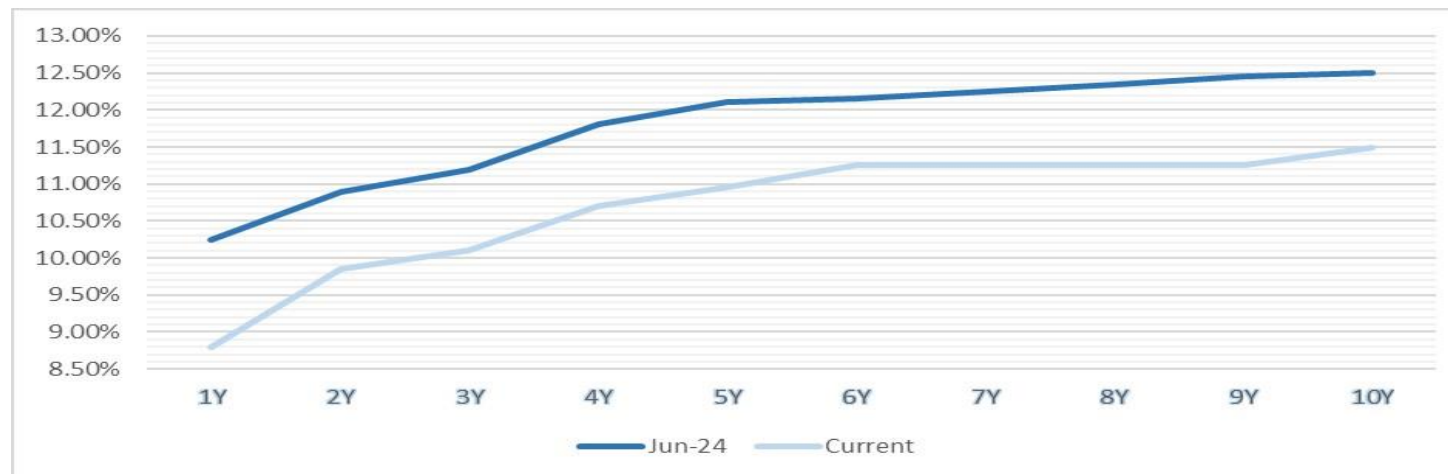
COMMODITIES

Gold prices inched higher on Monday, supported by a softer dollar, while investors awaited a slew of U.S. economic data including the December nonfarm payrolls report for further guidance on the Federal Reserve's interest rate stance.

Oil prices hovered at their highest since October on Monday as investors eyed the impact on global fuel demand from colder weather in the Northern Hemisphere and Beijing's economic stimulus measures.

ECONOMIC INDICATORS

Bond Curve



AWPLR %
 Week ending 01/03 **8.90**
 Week ago 9.06
 Year ago 12.13

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"	6.451 Bn
CBSL T-bill/bond holding	2,515.62 Bn
Market liquidity	160.16 Bn
Foreign holding LKR bills/bonds	68.52 Bn

	O/N	1M	3M	6M	12M
USD SOFR	4.4000	4.3154	4.2936	4.2419	4.1647
EUR ESTR	2.9140	2.9070	2.6440	2.3710	2.1130
GBP SONIA	4.7000	4.7113	4.6093	4.5443	4.4402

TREASURY DIVISION Level-11

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