

TREASURY COMMENTARY – 7th January 2025

DOMESTIC MARKET

USD/LKR

The USD/LKR market is active and is trading around the level of 291.75 and 298.75. The rupee has depreciated by approximately 0.59% against the USD from the beginning of the year.

USD/LKR Market Volume (USD Mn) on 06.01.2024

Cash	4.00
Tom	5.00
Spot	25.50
Forward	15.98

MONEY

Overnight call-money traded at 8.00% on Monday (06.01.2025). Net market liquidity was a surplus of Rs 162.73 Bn on Monday from a surplus of Rs 160.16 Bn on Friday.

GLOBAL MARKETS

FOREIGN EXCHANGE

The U.S. dollar hovered near a one-week low versus major peers on Tuesday as markets considered whether President-elect Donald Trump's tariffs would be less aggressive than promised. On Monday, the greenback slid against the likes of the euro and sterling following a report in the Washington Post that Trump's aides were exploring plans that would apply tariffs only on sectors seen as critical to U.S. national or economic security.

The U.S. dollar index, which gauges the currency against six rivals, edged up to 108.38, after dropping as low as 107.74 overnight, its weakest since Dec. 30. On Jan. 2, the index pushed as high as 109.58 for the first time since November 2022, in large part due to expectations that Trump's promised fiscal stimulus, reduced regulation and higher tariffs will boost U.S. growth.

The euro zone has been a particular target of Trump's tariff threats, and the euro was down slightly at \$1.03795, after jumping to a one-week high of \$1.0437 on Monday. Sterling was also slightly weaker at \$1.125085, following its climb as high as \$1.2550 in the prior session.

The dollar gained 0.3% to reach 158.23 yen, the highest level since July 17, drawing support from higher U.S. Treasury yields. While Aussie was little changed at \$0.6246, having rallied 0.5% overnight to as high as \$0.6302, the strongest level since mid December, although it is still dangerously close to the 2022 low of \$0.6170. The kiwi dollar traded at \$0.5640, after rising 0.6% overnight to as far as \$0.5684, also the highest since mid December. It has support at its 2022 nadir of \$0.5512.

COMMODITIES

Gold prices held its ground on Tuesday, with investors awaiting more economic data later this week for cues on the Federal Reserve's interest rate trajectory for this year.

Oil prices eased in volatile trade on Monday as some bearish economic news from the United States and Germany offset bullish support from a weaker U.S. dollar and forecasts for increased heating demand for energy from a winter storm.

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	162.73 Bn
Foreign holding LKR bills/bonds	68.52 Bn

	O/N	1M	3M	6M	12M
USD SOFR	4.3100	4.3063	4.2882	4.2421	4.1777
EUR ESTR	2.9160	2.9000	2.6560	2.4050	2.1690
GBP SONIA	4.7000	4.7098	4.6008	4.5360	4.4445

TREASURY DIVISION Level-11

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