

TREASURY COMMENTARY – 08th January 2025

DOMESTIC MARKET

USD/LKR

The USD/LKR market is active and is trading around the level of 292.25 and 299.25. The rupee has depreciated by approximately 0.76% against the USD from the beginning of the year.

USD/LKR Market Volume (USD Mn) on 07.01.2024

| | |
|---------|-------|
| Cash | 10.15 |
| Tom | 9.85 |
| Spot | 52.35 |
| Forward | 39.50 |

MONEY

Overnight call-money traded at 7.98% on Tuesday (07.01.2025). Net market liquidity was a surplus of Rs 136.22 Bn on Tuesday from a surplus of Rs 162.73 Bn on Monday.

GLOBAL MARKETS

FOREIGN EXCHANGE

The dollar stood tall on Wednesday and the yen sagged close to levels that drew intervention last year after strong U.S. data drove a spike in yields and pared some bets on Federal Reserve rate cuts. Overnight data showed U.S. job openings unexpectedly rose in November, layoffs were low, while services sector activity accelerated in December and a measure of prices paid for inputs hit a two-year high a possible inflation warning.

The yen touched 158.42 overnight, its weakest on the dollar for nearly six months, and sat at 158.15.

The euro fell about 0.5% overnight and traded at \$1.0345 early in the Asia day. Sterling had also dipped and bought \$1.2478.

China's yuan was likely to open the onshore session under pressure, having touched a 16-month low earlier in the week.

The Australian dollar sank 9.2% on the dollar through 2024 and, at \$0.6228, is not far from breaking a 2022 low of \$0.6170. Australian monthly inflation data showed headline CPI crept up from three-year lows in November, though a drop in core inflation bolstered the case for a rate cut. New Zealand is in outright recession and, having lost more than 11% on the greenback last year, the kiwi huddled at \$0.5636 on Wednesday, not far from a two-year low of \$0.5588 struck late in December.

COMMODITIES

Gold prices were flat on Wednesday, pressured by higher yields and a stronger dollar after U.S. data suggested the Federal Reserve might slow the pace of its rate cuts this year.

Oil prices rose on Wednesday as supplies from Russia and OPEC members tightened, while data showing an unexpected increase in U.S. jobs openings pointed to expanding economic activity and consequent growth in oil demand.

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 | 136.22 Bn |
| Foreign holding LKR bills/bonds | 68.52 Bn |

| | O/N | 1M | 3M | 6M | 12M |
|-----------|--------|--------|--------|--------|--------|
| USD SOFR | 4.2700 | 4.2974 | 4.2851 | 4.2455 | 4.1855 |
| EUR ESTR | 2.9160 | 2.8800 | 2.6680 | 2.4410 | 2.2250 |
| GBP SONIA | 4.7000 | 4.7037 | 4.5966 | 4.5336 | 4.4448 |

TREASURY DIVISION Level-11

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