

TREASURY COMMENTARY – 10th January 2025

DOMESTIC MARKET

USD/LKR

The USD/LKR market is active and is trading around the level of 290.75 and 297.75. The rupee has depreciated by approximately 0.25% against the USD from the beginning of the year.

USD/LKR Market Volume (USD Mn) on 09.01.2025

Cash	14.55
Tom	13.00
Spot	45.75
Forward	20.78

MONEY

Overnight call-money traded at 7.99% on Thursday (09.01.2025). Net market liquidity was a surplus of Rs 142.11 Bn on Thursday from a surplus of Rs 144.96 Bn on Wednesday.

GLOBAL MARKETS

FOREIGN EXCHANGE

The dollar looked set to extend its longest weekly winning streak in over a year on Friday, underpinned by rising bond yields and expectations of another strong set of U.S. jobs numbers.

The dollar has gained 0.5% on the yen this week to buy 158.03 yen and added more than 1% on an ailing British pound, which was battered to a 14-month low in tandem with a selloff in gilts and concern about British finances. Sterling was last a fraction weaker at \$1.2295, having touched a 14-month low of \$1.2239 earlier in the week.

The dollar is set for a broadly steady week on the euro, which buys \$1.0926 and it has notched small gains on the Australian and New Zealand dollars. The Australian and New Zealand dollars are huddled near multi-year lows, with the Aussie last at \$0.6190 - having come within a whisker of breaking a 2022 low of \$0.6170. The New Zealand dollar is also testing its 2022 low of \$0.5512 and was last at \$0.5594.

The dollar index is set for a sixth consecutive weekly gain, its longest run since an 11-week streak in 2023 as the U.S. economy continues to seem strong in contrast with weaknesses elsewhere. The index was steady in the Asia morning on Friday for a 0.25% weekly rise to 109.18.

The loonie was trading 0.1% lower at 1.4390 per U.S. dollar, or 69.49 U.S. cents, after moving in a range of 1.4366 to 1.4404.

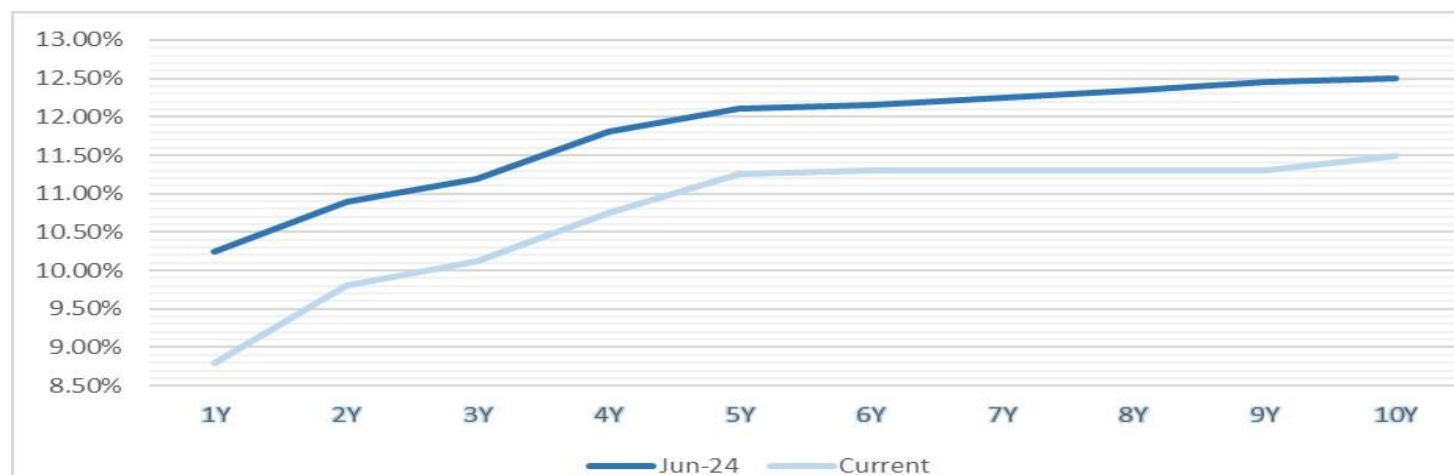
COMMODITIES

Gold prices remained stable on Friday during early Asian hours, poised for their strongest week since mid-November, as investors awaited U.S. jobs data to gauge how aggressively the Federal Reserve might cut interest rates this year.

Oil prices rose in early Asian trade and were on track for a third straight week of gains with icy conditions in parts of the United States and Europe driving up fuel demand for heating.

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 08.47
6M 08.60
1Y 08.90

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	142.11 Bn
Foreign holding LKR bills/bonds	68.52 Bn

	O/N	1M	3M	6M	12M
USD SOFR	4.2900	4.3021	4.2889	4.2506	4.1924
EUR ESTR	2.9170	2.8790	2.6640	2.4430	2.2240
GBP SONIA	4.7000	4.6880	4.5975	4.5465	4.4880

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 Fax: 2664854 Fitch Rating: A(lka.)