

TREASURY COMMENTARY – 17th January 2025

DOMESTIC MARKET

USD/LKR

The USD/LKR market is active and is trading around the level of 292.50 and 299.50. The rupee has depreciated by approximately 0.85% against the USD from the beginning of the year.

USD/LKR Market Volume (USD Mn) on 16.01.2025

Cash	29.33
Tom	4.50
Spot	35.00
Forward	30.35

MONEY

Overnight call-money traded at 8.00% on Thursday (16.01.2025). Net market liquidity was a surplus of Rs 131.47 Bn on Thursday from a surplus of Rs 79.61 Bn on Wednesday.

GLOBAL MARKETS

FOREIGN EXCHANGE

The U.S. dollar weakened against the yen on Thursday, as softer-than-expected U.S. economic data and growing confidence for a Bank of Japan interest-rate hike sent it tumbling to a near one-month low against the Japanese currency. Recent remarks from BOJ Governor Kazuo Ueda and his deputy Ryozi Himino have made clear that a hike will at least be discussed at next week's policy meeting. That left U.S. dollar index, a measure of the value of the greenback relative to a basket of foreign currencies - down 0.05% at 108.97.

The dollar was weaker against the euro, which rose 0.1% to \$1.03, as traders digested a slew of mixed economic news to gauge the outlook for the Federal Reserve's rate cuts this year. Sterling was down 0.13% at \$1.2228 against the dollar, having also earlier dropped sharply against the yen on Thursday as investors focused on monetary policy divergence after last week's selloff in gilts and the pound.

China's yuan has been hovering near 16-month lows in recent weeks as investors brace for U.S. tariffs and contend with record low local yields and slow economic recovery. The offshore yuan traded at 7.3456 per dollar.

The lack of clarity on rates left the Aussie steady at \$0.6225, having bounced 0.5% overnight and further way from the recent five-year low of \$0.6131. Resistance lies around \$0.6245 and \$0.6301. The kiwi dollar held at \$0.5618, after edging up 0.2% overnight, though it failed to hold a top of \$0.5651. Support lies at the recent two-year trough of \$0.5544, with resistance at \$0.5692.

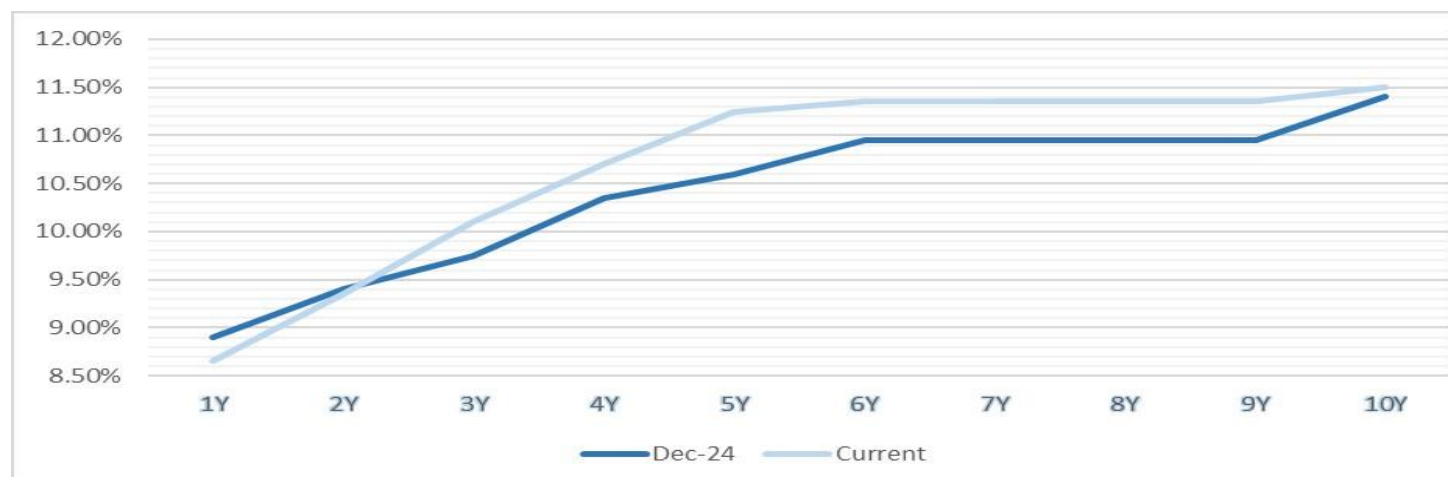
COMMODITIES

Gold prices rose to a more-than-one-month high on Thursday after the latest U.S. economic data pressured the Treasury yields further, following a soft core inflation reading this week that increased bets for a more dovish Federal Reserve policy.

Oil prices climbed on Friday, heading for a fourth weekly gain, driven by concerns over tighter supply following U.S. sanctions on Russian oil producers and signals from a Federal Reserve official of potential interest rate cuts.

ECONOMIC INDICATORS

Bond Curve



AWPLR %
Week ending 01/10 8.74
Week ago 8.90
Year ago 11.87

AWDR %
December 2024 7.53
November 2024 7.59
Year ago 11.64

T BILL %
3M 08.33
6M 08.44
1Y 08.80

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) – Dec. 24"	6.091 Bn
CBSL T-bill/bond holding	2,511.92 Bn
Market liquidity	131.47 Bn
Foreign holding LKR bills/bonds	67.22 Bn

	O/N	1M	3M	6M	12M
USD SOFR	4.2800	4.2987	4.2931	4.2621	4.2080
EUR ESTR	2.9170	2.8240	2.6390	2.4550	2.2720
GBP SONIA	4.7001	4.6315	4.5407	4.4680	4.3763

TREASURY DIVISION Level-11

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