

TREASURY COMMENTARY – 27th January 2025

DOMESTIC MARKET

USD/LKR

The USD/LKR market is active and is trading around the level of 294.50 and 301.50. The rupee has depreciated by approximately 1.53% against the USD from the beginning of the year.

USD/LKR Market Volume (USD Mn) on 24.01.2025

Cash	4.75
Tom	8.00
Spot	15.00
Forward	25.25

MONEY

Overnight call-money traded at 8.00% on Friday (24.01.2025). Net market liquidity was a surplus of Rs 139.99 Bn on Friday from a surplus of Rs 156.13 Bn on Thursday

GLOBAL MARKETS

FOREIGN EXCHANGE

The dollar firmed on Monday as traders pondered the ramifications of U.S. President Donald Trump's tariff plans at the start of a week where the Federal Reserve is widely expected to hold interest rates steady. The Fed is expected to keep rates unchanged when it concludes its two-day meeting on Wednesday, though investors will be watching for any clues that a rate cut could come in March if inflation continues to ease closer to the U.S. central bank's 2% annual target.

The euro was 0.14% lower at \$1.0474 ahead of the European Central Bank policy meeting this week where the central bank is expected to lower borrowing costs. Sterling fetched \$1.24615. That left the dollar index, which measures the U.S. currency against six units, at 107.6, still close to the one-month low it touched last week.

The Japanese yen strengthened nearly 0.4% to 155.41 per dollar in early trading after the Bank of Japan raised interest rates on Friday to their highest since the 2008 global financial crisis and revised up its inflation forecasts.

In other currencies, the Australian and New Zealand dollars were slightly lower but remained closer to their one-month highs touched last week. The Australian markets are closed for the day.

COMMODITIES

Gold prices edged lower in early Asian hours on Monday as the dollar gained, while investors awaited more guidance on interest rate decision from the U.S. Federal Reserve's first meeting of 2025 later this week.

Oil prices fell more than 1% on Monday after U.S. President Trump called on OPEC to reduce prices following the announcement of wide-ranging measures to boost U.S. oil and gas output in his first week in office.

ECONOMIC INDICATORS

Bond Curve



AWPLR %
Week ending 01/24 8.67
Week ago 8.65
Year ago 11.78

AWDR %
December 2024 7.53
November 2024 7.59
Year ago 11.64

T BILL %
3M 08.12
6M 08.25
1Y 08.63

INFLATION (%)
 (Base:2021=100)

	October 2024	November 2024	December 2024	Year ago
NCPI (YoY)	-0.7	-1.7	-2.0	4.2
NCPI (core)	1.7	1.5	1.3	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	139.99 Bn
Foreign holding LKR bills/bonds	79.99 Bn

	O/N	1M	3M	6M	12M
USD SOFR	4.3500	4.3151	4.2998	4.2590	4.1988
EUR ESTR	2.9160	2.7460	2.5750	2.4020	2.2300
GBP SONIA	4.7001	4.5729	4.5087	4.4353	4.3335

TREASURY DIVISION
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