

TREASURY COMMENTARY – 28th January 2025

DOMESTIC MARKET

USD/LKR

The USD/LKR market is active and is trading around the level of 297.25 and 299.25. The rupee has depreciated by approximately 1.53% against the USD from the beginning of the year.

USD/LKR Market Volume (USD Mn) on 27.01.2025

Cash	5.88
Tom	3.25
Spot	5.50
Forward	8.50

MONEY

Overnight call-money traded at 8.00% on Monday (27.01.2025). Net market liquidity was a surplus of Rs 169.55 Bn on Monday from a surplus of Rs 139.99 Bn on Friday.

GLOBAL MARKETS

FOREIGN EXCHANGE

The U.S. dollar steadied after it took a hit overnight amid a broad shakeout in financial markets on the emergence of China's DeepSeek free AI assistant that it says uses lower-cost chips and less data.

The Japanese yen gave up some of the safe-haven driven gains on Tuesday as investors grappled with the potential implications of a Chinese startup's free open-source artificial intelligence model.

The dollar was up 0.7% against the yen at 155.70, putting the currency pair back within its recent trading range after the yen strengthened to its strongest level since mid-December at 153.715 on Monday amid the safe-haven bids.

The euro fetched \$1.0428, down 0.6% ahead of the European Central Bank policy meeting this week that is expected to cut interest rates as U.S. President Donald Trump talked up the threat of tariffs. While Sterling traded at \$1.2441, down 0.4% on the day.

The risk-sensitive Australian and New Zealand dollars extended their losses. The Australian and New Zealand dollars slid on Tuesday as a rout in U.S. tech stocks bruised risk sentiment, while President Donald Trump threatened to slap tariffs on a range of goods including copper and steel.

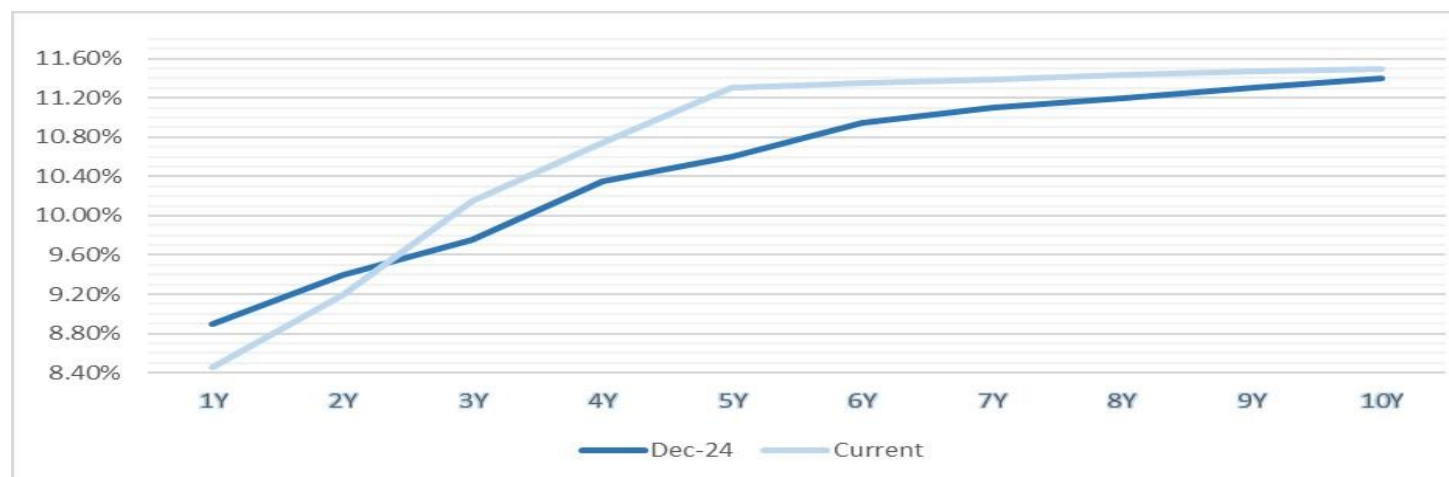
COMMODITIES

Gold prices firmed on Tuesday as focus shifted to the Federal Reserve's first meeting of 2025, while investors try to decipher how U.S. President Donald Trump's policies will impact the U.S. central bank's views on growth and inflation.

Oil prices fell about 2% to a two-week low on Monday as news of surging interest in Chinese startup DeepSeek's low-cost artificial intelligence (AI) model prompted concerns over energy demand to power data centers.

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	169.55 Bn
Foreign holding LKR bills/bonds	79.99 Bn

	O/N	1M	3M	6M	12M
USD SOFR	4.3400	4.3130	4.2938	4.2462	4.1797
EUR ESTR	2.9160	2.7390	2.5800	2.4250	2.2690
GBP SONIA	4.7000	4.5497	4.4948	4.4108	4.2916

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.)