

TREASURY COMMENTARY – 29th January 2025

DOMESTIC MARKET

USD/LKR

The USD/LKR market is active and is trading around the level of 296.00 and 298.00. The rupee has depreciated by approximately 1.02% against the USD from the beginning of the year.

USD/LKR Market Volume (USD Mn) on 28.01.2025

Cash	4.28
Tom	13.00
Spot	52.70
Forward	47.00

MONEY

Overnight call-money traded at 8.00% on Tuesday (28.01.2025). Net market liquidity was a surplus of Rs 158.86 Bn on Tuesday from a surplus of Rs 169.55 Bn on Monday.

GLOBAL MARKETS

FOREIGN EXCHANGE

The U.S. dollar advanced against the yen on Tuesday amid fresh tariff threats from the Trump administration and as concerns over the emergence of a low-cost Chinese artificial intelligence model faded. The Federal Reserve's two-day meeting ends on Wednesday after which it is expected to keep interest rates steady. The European Central Bank will also meet this week, and is expected to cut interest rates. The Bank of Canada is widely expected to most likely trim its key benchmark rate by 25 basis points on Wednesday.

The euro fell 0.55% at \$1.0433. Sterling weakened 0.45% to \$1.244, while the Canadian dollar weakened 0.2% versus the greenback to C\$1.44 per dollar.

The dollar advanced 0.6% to 155.52 against the Japanese yen, on course to snap three straight sessions of losses.

The Australian dollar hit a one-week low on Wednesday as a surprisingly soft reading on domestic inflation stoked wagers on a near-term cut in interest rates, sending bond yields lower. The kiwi dollar eased to \$0.5657, after losing 0.5% the previous session. Resistance stands at the recent top of \$0.5723, with support at \$0.5646 and \$0.5561.

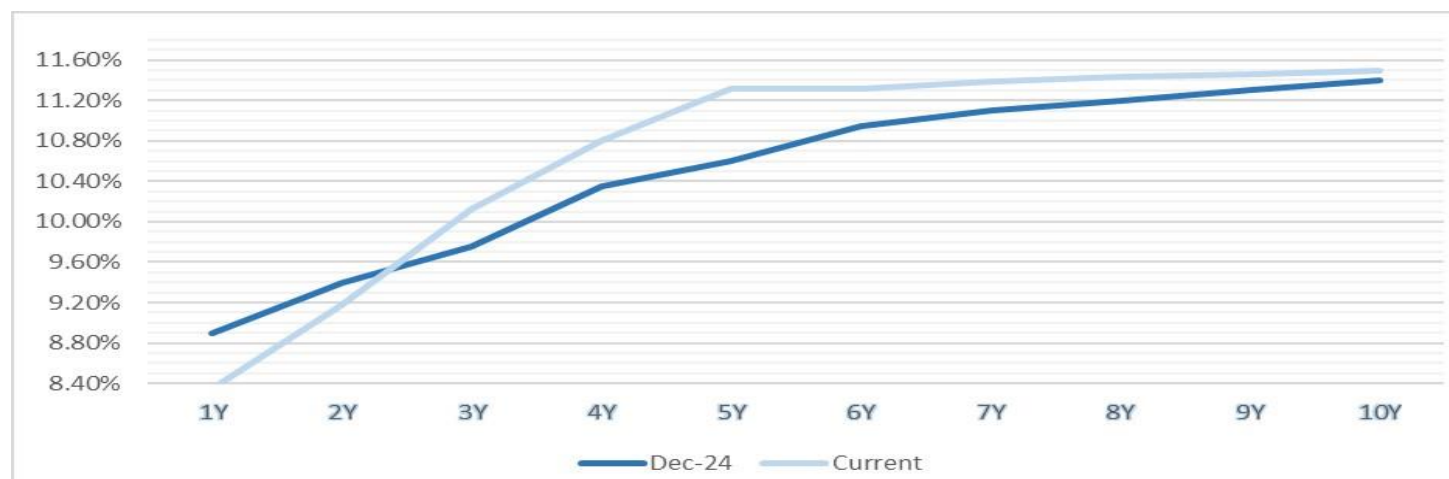
COMMODITIES

Gold prices were stable on Wednesday, recovering slightly after a tech-driven market selloff, as uncertainty over U.S. tariffs spurred safe-haven demand, while focus shifted to the Federal Reserve's meeting conclusion due later in the day.

Oil prices steadied on Wednesday as investors weighed the impact of potential U.S. tariffs on Canadian and Mexican imports, while largely shrugging off an increase in U.S. weekly crude inventory.

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	158.86 Bn
Foreign holding LKR bills/bonds	79.99 Bn

	O/N	1M	3M	6M	12M
USD SOFR	4.3400	4.3103	4.2868	4.2296	4.1390
EUR ESTR	2.9160	2.7320	2.5700	2.4090	2.2450
GBP SONIA	4.7000	4.5395	4.4890	4.4051	4.2863

TREASURY DIVISION Level-11

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