

TREASURY COMMENTARY – 30th January 2025

DOMESTIC MARKET

USD/LKR

The USD/LKR market is active and is trading around the level of 295.50 and 297.75. The rupee has depreciated by approximately 1.10% against the USD from the beginning of the year.

USD/LKR Market Volume (USD Mn) on 29.01.2025

Cash	3.85
Tom	8.70
Spot	28.80
Forward	25.65

MONEY

Overnight call-money traded at 7.99% on Wednesday (29.01.2025). Net market liquidity was a surplus of Rs 184.05 Bn on Wednesday from a surplus of Rs 158.86 Bn on Tuesday.

GLOBAL MARKETS

FOREIGN EXCHANGE

Dollar bulls were ready to pounce on the euro on Thursday should the European Central Bank sound dovish on rates later in the day, given the Federal Reserve had pressed the pause button on its easing cycle overnight.

Markets are more than fully priced for the ECB to trim rates by 25 basis points to 2.75% later on Thursday, with even a small chance of 50 basis points given how weak the EU economy is. The single currency was trading flat at \$1.0425, having found support around \$1.0380 overnight.

The dollar was down a fraction both against the yen at 155.01 and on a basket of currencies at 107.880.

The Australian and New Zealand dollars found a sliver of support on Thursday after three straight sessions of losses, with risks still mounting to the downside as investors aggressively wager on near-term cuts to interest rates. The currency was stuck at \$0.6235 on Thursday, having fallen to as low as \$0.6208 overnight. Major resistance was up at \$0.6330, with support around \$0.6163 and \$0.6129. The kiwi dollar was flat at \$0.5659, and off an overnight low of \$0.5632. Support is down at \$0.5561 and resistance at the recent top of \$0.5723.

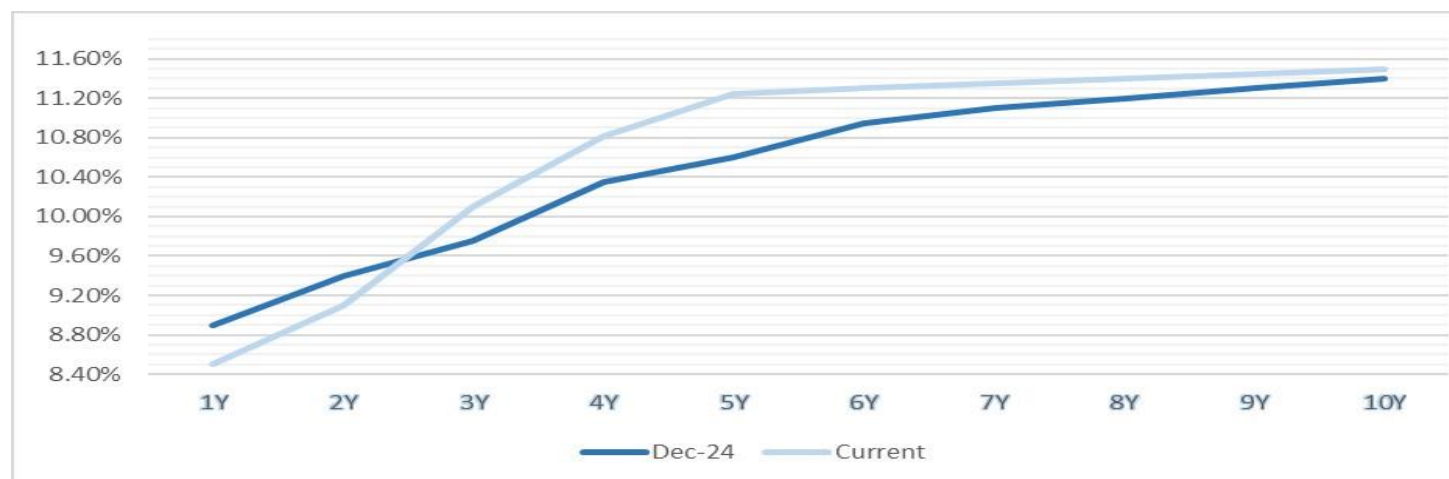
COMMODITIES

Gold prices were flat in early Asian hours on Thursday after the Federal Reserve's decision to hold interest rates steady offered little clarity on the U.S. monetary policy path this year.

Oil prices were little changed in early trading on Thursday, as markets watched for tariffs by U.S. President Donald Trump on Mexico and Canada, the two largest suppliers of crude oil to United States.

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 07.93
6M 08.09
1Y 08.47

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	184.05 Bn
Foreign holding LKR bills/bonds	79.99 Bn

	O/N	1M	3M	6M	12M
USD SOFR	4.3500	4.3115	4.2907	4.2368	4.1506
EUR ESTR	2.9210	2.7250	2.5680	2.4190	2.2620
GBP SONIA	4.7000	4.5327	4.4842	4.4009	4.2857

TREASURY DIVISION Level-11

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