

## TREASURY COMMENTARY – 03<sup>rd</sup> February 2025

### DOMESTIC MARKET

#### USD/LKR

The USD/LKR market is active and is trading around the level of 298.00 and 300.50. The rupee has depreciated by approximately 1.79% against the USD from the beginning of the year.

#### USD/LKR Market Volume (USD Mn) on 31.01.2025

Cash	5.30
Tom	23.50
Spot	39.00
Forward	42.03

#### MONEY

Overnight call-money traded at 8.00% on Friday (31.01.2025). Net market liquidity was a surplus of Rs 161.96 Bn on Friday from a surplus of Rs 194.56 Bn on Thursday.

### GLOBAL MARKETS

#### FOREIGN EXCHANGE

China's yuan slumped to a record low in offshore trading on Monday, while Mexico's peso and Canada's dollar tumbled to multi-year troughs after U.S. President Donald Trump slapped the countries with tariffs, triggering fears of an escalating trade war. The U.S. dollar's gain was broad, with the euro also dropping to a more than two-year low and the Swiss franc - despite typically acting as a safe haven - sliding to the weakest since May. Canada and Mexico immediately vowed retaliatory measures, and China said it would challenge Trump's levies at the World Trade Organization.

The euro plunged as much as 2.3% to \$1.0125 - the lowest level since November 2022 - before recovering some composure to change hands at \$1.0259. Europe is also potentially in Trump's tariff crosshairs. Sterling fell 0.8% to \$1.23.

Japan's yen was more resilient, trading flat at 155.25 per dollar.

The Australian dollar sank to a near 5-year low on Monday as the threat of a global trade war hit risk sentiment and currencies of countries with a heavy reliance on exports. Even though Australia and New Zealand were not directly targeted by U.S. President Donald Trump's tariffs, they have open economies that rely on free trade, particularly with their major export market China.

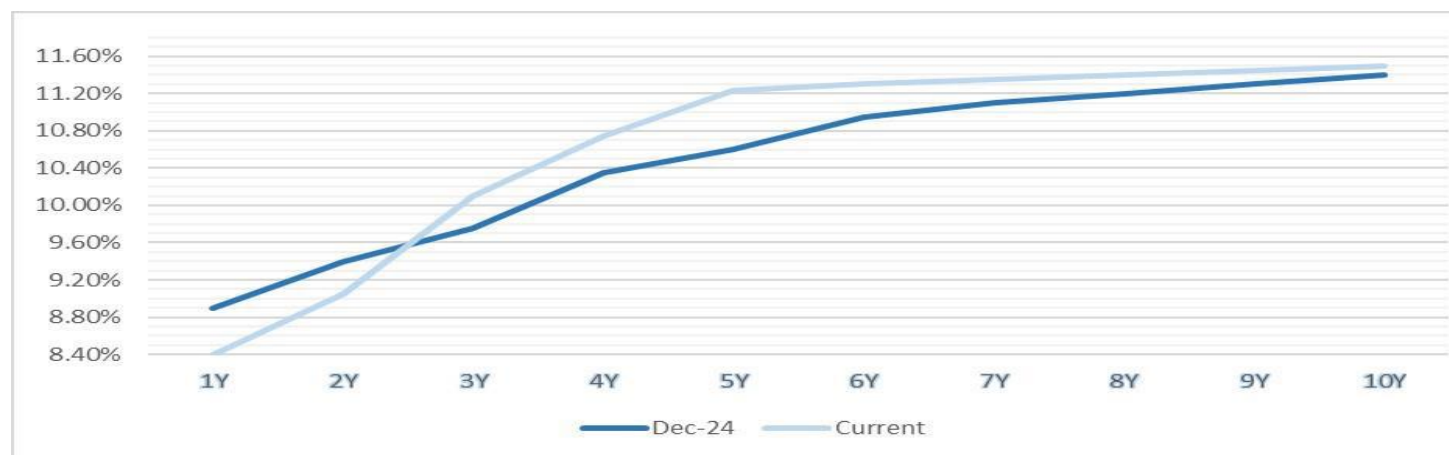
#### COMMODITIES

Gold prices fell in early Asian hours on Monday, pressured by a stronger dollar as fears of a global trade war mounted after U.S. President Donald Trump imposed sweeping tariffs on Canada, Mexico and China over the weekend.

Oil prices jumped on Monday after U.S. President Donald Trump imposed tariffs on Canada, Mexico and China, raising fears of crude supply disruption from two of the biggest suppliers to the U.S., but the prospect of lower fuel demand capped gains.

# ECONOMIC INDICATORS

## Bond Curve



AWPLR %	AWDR %	T BILL%
Week ending 01/31 <b>8.56</b>	December <b>2024</b> 7.53	<b>3M</b> 07.93
Week ago 8.67	November <b>2024</b> 7.59	<b>6M</b> 08.09
Year ago 12.25	Year ago 11.64	<b>1Y</b> 08.47

INFLATION (%) (Base:2021=100)	November 2024	December 2024	January 2025	Year ago
NCPI (YoY)	-1.7	-2.0	-	6.5
NCPI (core)	1.5	1.3	-	2.2
CCPI(YoY)	-2.1	-1.7	-4.0	6.4
CCPI (core)	2.7	2.7	1.2	2.2

CBSL reserves (USD) – Dec. 24"	6.122 Bn
CBSL T-bill/bond holding	2,511.92 Bn
Market liquidity	161.96 Bn
Foreign holding LKR bills/bonds	77.96 Bn

	O/N	1M	3M	6M	12M
USD SOFR	4.3600	4.3130	4.3022	4.2483	4.1603
EUR ESTR	2.9230	2.6900	2.5300	2.3770	2.2150
GBP SONIA	4.7008	4.5168	4.4748	4.3872	4.2663

### 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](mailto:forex@hnb.lk) Fax: 2664854 Fitch Rating: A(Ika.)

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(Sources: Reuters, Bloomberg)