

## TREASURY COMMENTARY – 05<sup>th</sup> February 2025

### DOMESTIC MARKET

#### USD/LKR

The USD/LKR market is active and is trading around the level of 298.50 and 301.50. The rupee has depreciated by approximately 1.88% against the USD from the beginning of the year.

#### USD/LKR Market Volume (USD Mn) on 03.02.2025

Cash	8.00
Tom	-
Spot	22.40
Forward	8.00

#### MONEY

Overnight call-money traded at 8.00% on Monday (03.02.2025). Net market liquidity was a surplus of Rs 184.95 Bn on Monday from a surplus of Rs 161.96 Bn on Friday.

### GLOBAL MARKETS

#### FOREIGN EXCHANGE

The dollar was on the back foot in the early Asian session, giving some respite to heavily battered currencies like the euro, which bounced back above the \$1.02 level and bought around \$1.0374. Volatility in currency markets eased a little on Wednesday after a turbulent start of the week following Trump's imposition of steep tariffs on top U.S. trading partners, with those on Mexico and Canada having since been delayed following negotiations. But China on Tuesday slapped tariffs on U.S. imports in a swift response to new U.S. duties on Chinese goods, and Trump said the same day he is in no hurry to speak to Chinese President Xi Jinping to try to defuse a new trade war between the world's two largest economies.

Sterling was similarly little changed at \$1.2479. The dollar index was flat at 108.04. Elsewhere, the Canadian dollar extended its rebound from Monday's 22-year low and stood at C\$1.4333.

In Japan, the yen was a touch higher and stood at 154.30 per dollar. The offshore yuan had tumbled to a record low of 7.3765 per dollar at the start of the week, though it has since recovered some of those losses. The Australian and New Zealand dollars, often used as liquid proxies for the yuan, were clinging to overnight gains, with the Aussie at \$0.6251 after rising 0.47% on Tuesday. The kiwi fetched \$0.5648, having gained 0.44% overnight.

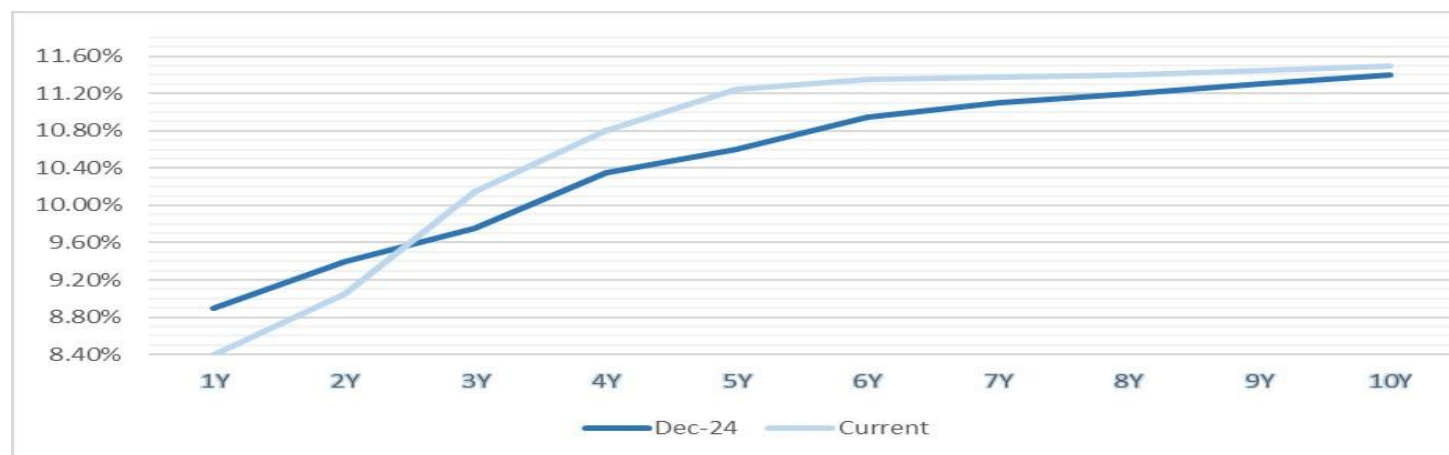
#### COMMODITIES

Gold prices touched an all time-high on Wednesday, underpinned by safe-haven demand after China responded to U.S. tariffs, which were initially imposed by President Donald Trump on the world's largest consumer of gold.

Oil prices were little changed on Wednesday after volatile trading in the previous session as investors shrugged off the impact of China's tariffs on U.S. energy imports though President Donald Trump's renewed push to eliminate Iranian crude exports provided some support.

# 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	184.95 Bn
Foreign holding LKR bills/bonds	77.96 Bn

	O/N	1M	3M	6M	12M
USD SOFR	4.3500	4.3073	4.3018	4.2617	4.1927
EUR ESTR	2.9180	2.6720	2.4860	2.2870	2.0750
GBP SONIA	4.7042	4.4803	4.4545	4.3555	4.2230

### TREASURY DIVISION

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(Sources: Reuters, Bloomberg)