

TREASURY COMMENTARY – 10th February 2025

DOMESTIC MARKET

USD/LKR

The USD/LKR market is active and is trading around the level of 296.25 and 298.50. The rupee has depreciated by approximately 1.19% against the USD from the beginning of the year.

USD/LKR Market Volume (USD Mn) on 07.02.2025

Cash	10.95
Tom	1.40
Spot	36.60
Forward	24.50

MONEY

Overnight call-money traded at 8.00% on Friday (07.02.2025). Net market liquidity was a surplus of Rs 144.29 Bn on Friday from a surplus of Rs 159.89 Bn on Thursday.

GLOBAL MARKETS

FOREIGN EXCHANGE

The dollar firmed on Monday after U.S. President Donald Trump said he was set to impose new 25% tariffs on all steel and aluminium imports, putting pressure on the euro and the commodity-focused Australian and New Zealand dollars. Trump also said he will announce reciprocal tariffs on Tuesday or Wednesday, applying them to all countries and matching the tariff rates levied by each country. The move adds to jitters over a global trade war, with China's retaliatory duties on U.S. goods due to take effect on Monday.

The dollar index, which measures the U.S. currency against six other units, was steady at 108.23 in early trading. The euro was 0.1% lower at \$1.0317 in early trading, close to the more than two-year low of \$1.0125 it touched last week as investors braced for tariffs that Trump has repeatedly threatened against Europe. Sterling was little changed at \$1.23915.

The Japanese yen weakened 0.4% to around 152 per dollar, but remained not far from the one-month high it touched on Friday on growing expectation of the Bank of Japan hiking interest rates this year.

The Australian dollar was down 0.21% at \$0.6264, hovering near the five-year low it touched last week, while the kiwi eased 0.12% at \$0.5649. The Canadian dollar weakened over 0.2% as Canada is the largest supplier of primary aluminium metal to the United States.

COMMODITIES

Gold prices firmed on Monday, and hovered near a record high hit in the previous session, as investors sought refuge in the safe-haven asset after U.S. President Donald Trump's decision to impose fresh tariffs sparked concerns of a global trade war.

Oil prices ticked higher on Monday even as investors weighed U.S. President Donald Trump's latest tariff threat, this time on all steel and aluminium imports, which could dampen global economic growth and energy demand.

ECONOMIC INDICATORS

Bond Curve



AWPLR %
 Week ending 02/07 **8.59**
 Week ago 8.56
 Year ago 11.91

AWDR %
 December **2024** 7.53
 November **2024** 7.59
 Year ago 11.64

T BILL%
3M 07.79
6M 08.00
1Y 08.43

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) – Jan. 25"	6.065 Bn
CBSL T-bill/bond holding	2,511.92 Bn
Market liquidity	144.29 Bn
Foreign holding LKR bills/bonds	77.95 Bn

	O/N	1M	3M	6M	12M
USD SOFR	4.3600	4.3151	4.3039	4.2577	4.1791
EUR ESTR	2.6690	2.6690	2.4660	2.2900	2.0970
GBP SONIA	4.4544	4.4641	4.4434	4.3264	4.1685

TREASURY DIVISION
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(Sources: Reuters, Bloomberg)