

TREASURY COMMENTARY – 19th February 2025

DOMESTIC MARKET

USD/LKR

The USD/LKR market is active and is trading around the level of 296.00 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 18.02.2025

Cash	5.75
Tom	1.00
Spot	24.50
Forward	6.50

MONEY

Overnight call-money traded at 7.98% on Tuesday (18.02.2025). Net market liquidity was a surplus of Rs 146.71 Bn on Tuesday from a surplus of 159.72 Bn on Monday.

GLOBAL MARKETS

FOREIGN EXCHANGE

The U.S. dollar perked up on Wednesday on the back of tariff concerns and tense Russia-Ukraine negotiations, while the New Zealand dollar steadied as traders braced for another super-sized interest rate cut.

Hopes of a peace agreement buoyed the euro to a two-week high last week, but the EU bloc currency has slid in recent days. It stood flat at \$1.0446. The dollar index, which measures the greenback against a basket of rivals, rose 0.02% to 107.02. Sterling fetched \$1.2623, up 0.08% so far on the day after brushing a two-month high of \$1.2641 in early trade on Wednesday.

The yen strengthened 0.13% to 151.88 per dollar. Japan's solid October-December GDP data on Monday, coupled with recent strong inflation, has bolstered rate hike bets.

The Australian dollar was steady at \$0.6352 after wage growth data came in around estimates as traders sized up the domestic rate outlook. The Reserve Bank of Australia cut rates as expected on Tuesday but cautioned on further easing. The Reserve Bank of New Zealand reduced rates by 50 basis points to 3.75%, as expected following a whopping 125 basis points of total cuts since August as the central bank races to boost a sluggish economy and curb rising unemployment.

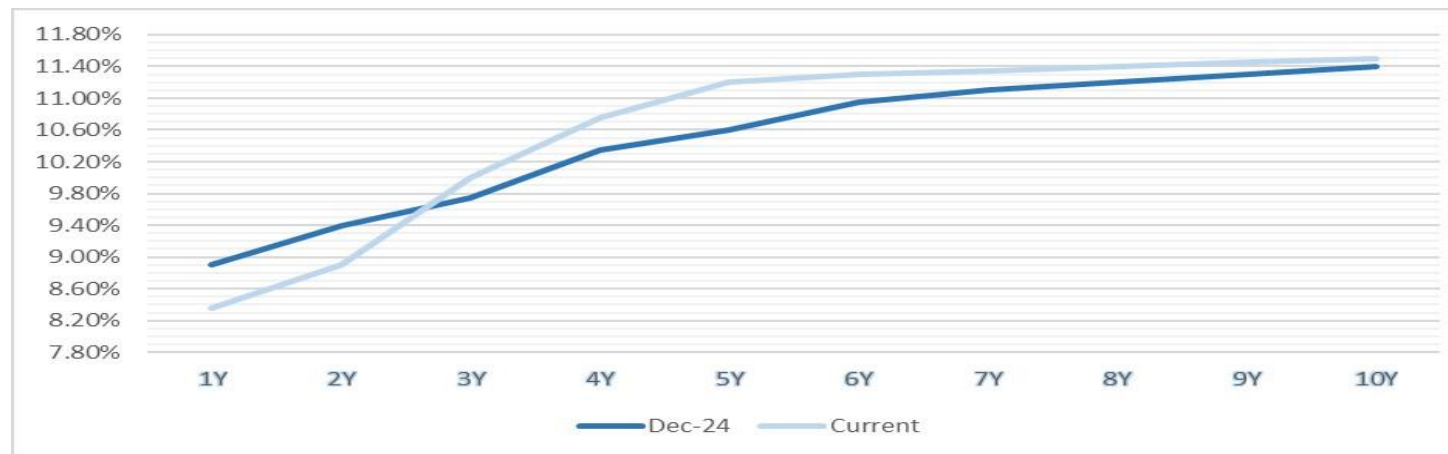
COMMODITIES

Gold held steady near a record high on Wednesday, with investors closely watching U.S. President Donald Trump's tariff strategies that have intensified worries of a global trade war while awaiting the Federal Reserve's January meeting minutes.

Oil prices edged higher on Wednesday amid oil supply disruptions in the U.S. and Russia and as markets awaited clarity on the Ukraine peace talks.

ECONOMIC INDICATORS

Bond Curve



AWPLR %
Week ending 02/14 8.42
Week ago 8.59
Year ago 11.83

AWDR %
December 2024 7.53
November 2024 7.59
Year ago 11.64

T BILL%
3M 07.69
6M 07.94
1Y 08.42

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	146.71 Bn
Foreign holding LKR bills/bonds	77.98 Bn

	O/N	1M	3M	6M	12M
USD SOFR	4.3300	4.3118	4.3219	4.2958	4.2315
EUR ESTR	2.6650	2.6070	2.4410	2.2900	2.1330
GBP SONIA	4.4541	4.4627	4.4302	4.3264	4.1905

TREASURY DIVISION Level-11

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(Sources: Reuters, Bloomberg)