

TREASURY COMMENTARY – 04th March 2025

DOMESTIC MARKET

USD/LKR

The USD/LKR market is active and is trading around the level of 294.00 and 296.25. The rupee has depreciated by approximately 0.46% against the USD from the beginning of the year.

USD/LKR Market Volume (USD Mn) on 03.03.2025

Cash	9.75
Tom	5.5
Spot	28.5
Forward	19.0

MONEY

Overnight call-money traded at 7.98% on Monday (03.03.2025). Net market liquidity was a surplus of Rs 157.03 Bn on Monday from a surplus of Rs 172.65 Bn on Friday.

GLOBAL MARKETS

FOREIGN EXCHANGE

The dollar dropped on Tuesday in Asian trading as investors focused on a possible peace deal and more fiscal spending in the euro area. The euro last bought \$1.0482 having surged over 1% on Monday, with investors also keeping an eye out for the European Central Bank policy meeting on Thursday. Traders are pricing in another 25 basis point cut from the ECB. The ECB has cut interest rates five times already since last June. The euro has also been under broader pressure after U.S. President Donald Trump threatened last week to apply a 25% tariff to European Union exports of cars and other goods.

The U.S. dollar index, which measures the U.S. currency versus six other units, was at 106.49 after dropping 1% in the previous session.

Sterling recorded its first monthly rise since September against the greenback on Friday, driven by the prospect of UK rates taking longer to fall than those elsewhere. Sterling was little changed at \$1.26995 in early trading, while the yen was stronger at 148.75 per dollar. Trump said on Monday he told leaders of Japan and China they cannot continue to reduce the value of their currencies as doing so would be unfair to the United States.

The risk-sensitive Australian dollar was 0.19% weaker at \$0.6213, while the New Zealand dollar 0.12% lower at \$0.5610.

The loonie was at \$1.4496 in early Asian hours having touched a one-month low of \$1.45415 on Monday, while the Mexican peso fell 0.2% to 20.7390 per dollar, its lowest since February 3 as traders come to terms with the tariffs.

COMMODITIES

Gold prices held steady on Tuesday as market participants fretted that U.S. President Donald Trump's tariffs on Canada and Mexico will fuel inflation and hinder economic growth.

Oil prices fell about 2% to a 12-week low on Tuesday on reports OPEC+ will proceed with a planned oil output increase in April and worries U.S. tariffs could hurt global economic growth and oil demand.

ECONOMIC INDICATORS

Bond Curve



AWPLR %
 Week ending 02/28 **8.36**
 Week ago 8.39
 Year ago 11.50

AWDR %
 January **2025** 7.31
 December **2024** 7.53
 Year ago 11.15

T BILL%
 3M 07.57
 6M 07.87
 1Y 08.35

INFLATION (%) (Base:2021=100)	December 2024	January 2025	February 2025	Year ago
NCPI (YoY)	-2.0	-4.0	-	5.1
NCPI (core)	1.3	-0.2	-	2.7
CCPI(YoY)	-1.7	-4.0	-4.2	5.9
CCPI (core)	2.7	1.2	0.7	2.8

CBSL reserves (USD) – Jan. 25" 6.065 Bn
 CBSL T-bill/bond holding 2,511.92 Bn
 Market liquidity 157.03 Bn
 Foreign holding LKR bills/bonds 80.43 Bn

	O/N	1M	3M	6M	12M
USD SOFR	4.3900	4.3214	4.3097	4.2323	4.0749
EUR ESTR	2.6580	2.4830	2.3620	2.2060	2.0410
GBP SONIA	4.4552	4.4595	4.4203	4.3334	4.2113

TREASURY DIVISION Level-11

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