

TREASURY COMMENTARY – 19th March 2025

DOMESTIC MARKET

The USD/LKR market is trading around 295.00 and 297.50. The rupee has depreciated by approximately 0.77% against the USD since January 2025.

Overnight call-money traded at 7.96% and Net Market surplus increased to Rs 194.16 from Rs 181.72 Bn previous day.

Sri Lanka's economy grew 5.4 percent in the 4Q - 2024, with full year growth estimated at 5.0 percent helped by lower inflation and exchange rates stability.

GLOBAL MARKETS

The yen steadied while the dollar struggled to regain some lost ground.

Bank of Japan left its policy rate on hold. With the economy continuing to recover "moderately" and inflation proving sticky, the BOJ is deemed to have no choice but to continue hiking its policy rate this year. Moreover, Governor Kazuo Ueda has recently noted that the BOJ's balance sheet and monetary base are too large.

Currency moves were largely subdued as traders were hesitant to take on fresh positions ahead of the Fed's policy decision.

Against a basket of currencies, the USD Index edged slightly higher to 103.33, though it was languishing near yesterday's five-month low of 103.19.

The euro scale a five-month high of \$1.0955 in the previous session and traded near \$1.0937, as investors were optimistic on move in Germany, that could revive economic growth and scale up military spending for a new era of European collective defence.

Sterling bought \$1.30, standing just a whisker away from its four-month high of \$1.3010 reached in the previous session.

The Canadian dollar edged lower against its U.S. counterpart, pulling back from an earlier 12-day high, as equity markets fell and investors looked past hotter-than-expected Canadian inflation data.

The Australian dollar ticked up 0.02% to \$0.6362 after falling 0.4% overnight as risk appetite stayed cautious, while the New Zealand dollar slipped 0.05% to \$0.5818.

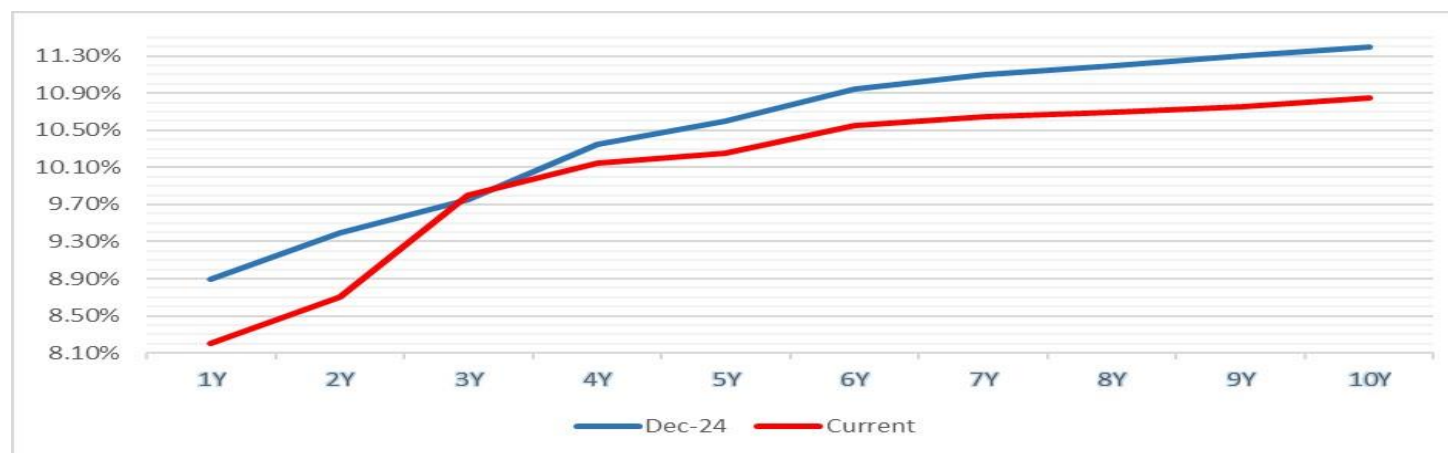
COMMODITIES

Gold traded just below the record high reached in the previous session, supported by safe-haven demand spurred by geopolitical tensions and tariff uncertainty, while traders awaited the Federal Reserve's policy decision.

Oil prices slid after Russia agreed to U.S. proposal of refraining Moscow and Kyiv attacking each other's energy infrastructure temporarily, which could lead to more Russian oil entering global markets. U.S. tariffs on Canada, Mexico and China have raised recession fears, which also weighed on oil prices as that would have a dampening effect on demand for crude.

ECONOMIC INDICATORS

Bond Curve



AWPLR %
 Week ending 03/14 **8.37**
 Week ago 8.33
 Year ago 11.35

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

T BILL%
 3M 07.52
 6M 07.86
 1Y 08.34

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) – Feb. 25"	6.095 Bn
CBSL T-bill/bond holding	2,511.92 Bn
Market liquidity	194.16 Bn
Foreign holding LKR bills/bonds	79.26 Bn

	O/N	1M	3M	6M	12M
USD SOFR	4.3200	4.2193	4.3046	4.2172	4.0652
EUR ESTR	2.4170	2.4170	2.3220	2.2080	2.1050
GBP SONIA	4.4544	4.4553	4.3879	4.3077	4.1967

TREASURY DIVISION Level-11

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