

## TREASURY COMMENTARY – 1<sup>st</sup> January 2025

### DOMESTIC MARKET

#### USD/LKR

The USD/LKR market is active and is trading around the level of 290.00 and 297.00. The rupee has appreciated by approximately 9.82% against the USD during the last year.

#### USD/LKR Market Volume (USD Mn) on 31.12.2024

Cash	15.96
Tom	-
Spot	35.90
Forward	33.00

#### MONEY

Overnight call-money traded at 8.00% on Tuesday (31.12.2024). Net market liquidity was a surplus of Rs 168.11 Bn on Tuesday from a surplus of Rs 158.37 Bn on Monday.

### GLOBAL MARKETS

#### FOREIGN EXCHANGE

The U.S. dollar hit a two-year high and was on track to post an annual gain against almost all major currencies on Tuesday as the prospect that the Federal Reserve will hold interest rates higher than peers led the U.S. currency to dominate rivals. The dollar index was up 0.41% on the day at 108.49 and earlier reached 108.58, the highest since Nov. 2022. It is headed for an annual gain of 7.0%.

The euro fell 0.52% to \$1.0353 and is on pace for a 6.2% yearly decline, with traders expecting the European Central Bank to be sharper with its cuts than the Fed. Sterling weakened 0.34% to \$1.2508 and was on course for a 1.6% fall in 2024, the strongest performance of any major currency against the dollar this year.

The Japanese currency was among the biggest losers of the year and was on pace for its fourth yearly loss against the greenback as it suffers from a wide interest rate differential between Japan and the United States.

The Australian and New Zealand dollars both fell to two-year lows on Tuesday. The Aussie was set for a drop of around 9.2% this year, its weakest yearly performance since 2018. The kiwi was poised for a 11.4% decline, its softest performance since 2015.

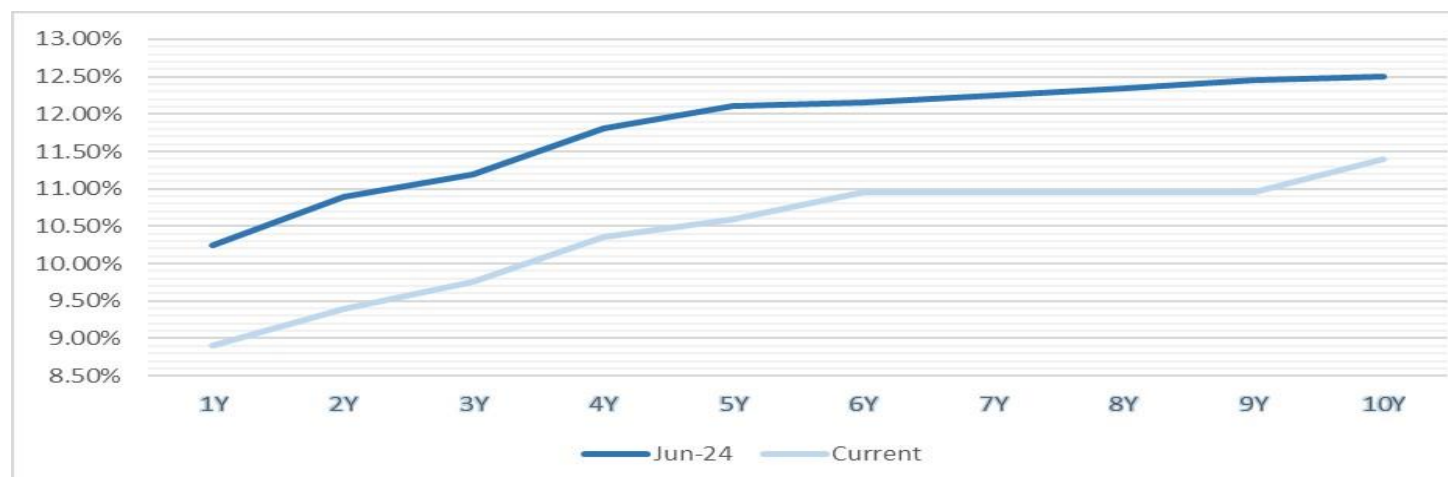
#### COMMODITIES

Gold prices were poised for an annual surge of over 27%, their biggest yearly rise since 2010, driven by safe-haven demand and central banks' rate cuts, although the mood could turn more cautious depending on policy shifts under a second Donald Trump presidency.

Oil prices fell around 3% in 2024, slipping for a second straight year, as the post-pandemic demand recovery stalled, China's economy struggled, and the U.S. and other non-OPEC producers pumped more crude into a well-supplied global market.

# ECONOMIC INDICATORS

## Bond Curve



**AWPLR %**  
**Week ending 12/27** 9.06  
**Week ago** 8.72  
**Year ago** 12.19

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

**T BILL%**  
**3M** 08.62  
**6M** 08.77  
**1Y** 08.96

**INFLATION (%)**  
 (Base:2021=100)

	October 2024	November 2024	December 2024	Year ago
NCPI (YoY)	-0.7	-1.7	-	4.2
NCPI (core)	1.7	1.5	-	0.9
CCPI(YoY)	-0.8	- 2.1	-1.7	4.0
CCPI (core)	3.0	2.7	2.7	0.6

CBSL reserves (USD) – Nov. 24"	6.462 Bn
CBSL T-bill/bond holding	2,515.62 Bn
Market liquidity	168.11 Bn
Foreign holding LKR bills/bonds	69.26Bn

	O/N	1M	3M	6M	12M
USD SOFR	4.3700	4.3324	4.3051	4.2500	4.1750
EUR ESTR	2.9130	2.9150	2.6680	2.3850	2.1290
GBP SONIA	4.7000	4.7101	4.6192	4.5610	4.4600

**TREASURY DIVISION**  
 Level-11

**Tel: FX: 2664843-6 (Vajira/Chaaminda/Manjuli/Madhushani/Anjula/Chandike)**  
**Interest Rates: 2664850-3 (Vajira/Sanka/Pasan/Manjuli/Anjula)**  
**E-mail: [forex@hnb.lk](mailto:forex@hnb.lk) Fax: 2664854 Fitch Rating: A(lka.)**