



# HNB TREASURY COMMENTARY

## FOREIGN EXCHANGE MARKET

### USD/LKR

USD/LKR (spot) quoted within a range of 153.25-154.00 on Friday.

### FOREX MARKET

The dollar carved out a 10-month trough today as the diminished risk of aggressive U.S. policy tightening sent investors piling into leveraged positions in higher yielding currencies or risky assets. Charts were crowded with milestones with the euro near ground last trod in May 2016 and sterling at its highest since September. Charts were crowded with milestones with the euro near ground last trod in May 2016 and sterling at its highest since September. The pound's 1.2 percent jump on Friday was the largest in three months and left it at \$1.3107/GBP. The EUR was hovering at \$1.1471 and just short of major resistance at \$1.1489. A holiday in Japan kept trade thin ahead of a deluge of economic news from China, which includes gross domestic product, retail sales and industrial output. The pound's 1.2 percent jump on Friday was the largest in three months and left it at \$1.3107. Charts were crowded with milestones with the euro near ground last trod in May 2016 and sterling at its highest since September. The pound's 1.2 percent jump on Friday was the largest in three months and left it at \$1.3107. The EUR was hovering at \$1.1471 and just short of major resistance at \$1.1489. Sterling hit its highest point against the dollar in 10 months on Friday, climbing 1 percent after data further undermined expectations for more hikes in U.S. interest rates. After a rough start to the week driven by poor British economic numbers, the pound is now up almost half a percent in trade-weighted terms, riding out a series of negative headlines on Brexit negotiations with the European Union. The Australian dollar shot up to a four-month peak on Friday.

### COMMODITY MARKETS

Oil prices firmed on Monday, supported by a slowdown in new rigs looking for crude and a perception of strong demand. Brent crude futures, the international benchmark for oil prices, were at \$49.08 per barrel at 0126 GMT, up 17 cents, or 0.35 percent, from their last close.

### EXPECTED INTRA-DAY RANGES FOR TODAY

EUR/USD	– A range of	1.1420-1.1490
GBP/USD	– A range of	1.2900-1.3030
AUD/USD	– A range of	0.7750-0.7850
USD/JPY	– A range of	112.50-112.70

### MARKET WATCH

China	Industrial Output	June
China	Retail Sales	June
U.S.	NY Fed Manufacturing	July

## MONEY MARKET

### LOCAL MARKET

Overnight call-money traded at 8.75% on Friday. Net market liquidity with the Central Bank was a Deficit of Rs 13.92 Bn on Friday from a Deficit of Rs 7.34Bn on Thursday.

### U.S. TREASURIES

U.S. Treasury yields dropped to multi-week lows on Friday as benign U.S. inflation data in June and surprise fall in retail sales clouded expectations about an interest rate increase later this year. U.S. inflation was unchanged in June, following a 0.1 percent dip in May. The so-called core CPI, which strips out food and energy costs, edged up just 0.1 percent in June. The core CPI increased 1.7 percent year-on-year after a similar gain in May.

## SPOT RATES

USD/LKR	153.40-153.95
EUR/USD	1.1459-1.1462
GBP/USD	1.3095-1.3101
USD/JPY	112.67-112.68
USD/CAD	1.2658-1.2663
AUD/USD	0.7808-0.7813
USD/SGD	1.3702-1.3708
USD/INR	64.37- 64.47
GOLD	1,231.00-1,232.25
CRUDE	46.64-46.70

## LIBOR %

	USD	EUR	JPY	GBP
1M	1.22	(0.40)	(0.03)	0.25
3M	1.30	(0.37)	(0.01)	0.29
6M	1.46	(0.30)	0.01	0.44
1Y	1.74	(0.18)	0.11	0.65

## T/BILL RATES %

(W. Av. Last Auction)

3Months	9.60
6Months	10.23
12Months	10.39

## T/BOND RATES %

(W. Av. Market rates)

2 Year	10.40
3Year	10.80
4 Year	11.07
5 Year	11.15
6 Year	11.17
7 Year	11.20
8Year	11.35

**CLIBOR%(15/07/17)** 8.75

## SLIBOR % (15/07/17)

Overnight	8.75
1 Week	9.43
1 Month	10.44
3Months	11.26
6Months	11.98

## MONEY MARKET RATES

Overnight	8.75
1 Week	9.10 – 9.40
2 Weeks	9.25 – 9.50
3 Weeks	9.50 – 9.80
1 Month	10.00 – 10.25

## AWPLR %

Week ending 17/07	11.84
Week ago	11.40
Year ago	10.64

## AWDR %

June 2017	9.13
May 2017	8.99
Year ago	6.87

## INFLATION (%)

	YoY	
May 17	(NCPI)	7.10
April 17	(NCPI)	8.40
	<b>YoY 12M W. Av</b>	
June (CCPI)	6.10	5.50
May (CCPI)	6.00	5.50
Year ago (CCPI)	5.50	5.10