



HNB TREASURY COMMENTARY

FOREIGN EXCHANGE MARKET

USD/LKR

USD/LKR (spot) quoted within a range of 152.90-153.50 on Thursday.

FOREX MARKET

The dollar set an eight-week low against the yen today as escalating tensions between the United States and North Korea triggered yet more investor flight to safety. The dollar slipped to as low as 109.11 yen in early Asian trade today, its lowest level since June 14, when the greenback had fallen to as low as 108.81 yen. Below that level lies another key support level for the dollar on technical charts at 108.13 yen, a trough the greenback touched in mid-April. On Thursday the greenback had shed 0.8 percent versus the yen, with the Japanese currency rallying broadly against most major currencies. The euro eased 0.1 percent to \$1.1766, staying below a high of around \$1.1910 set last week, the euro's strongest level in 2-1/2 years. Sterling touched a three-week low against the dollar on Thursday as a mixed bag of output and trade data did little to alter investors' downbeat view of an economy struggling to meet Bank of England targets. The pound fell by as much as a third of a percent in early European trade to as low as \$1.2952 before recovering some ground after industrial production numbers just topped economists' forecasts. It was trading down 0.1 percent at \$1.2991. Against the euro, the pound was down 0.1 percent at 90.51 pence. The Reserve Bank of New Zealand (RBNZ) left interest rates at a record low 1.75 percent and kept projections for rates largely unchanged, wrong footing doves who had thought it might lower the future path of hikes. The kiwi briefly jumped to a high of \$0.7373, compared with \$0.7309 in the previous session which had been the lowest level since July 18. Across the Tasman Sea, the Australian dollar ticked higher to \$0.7896, from \$0.7855.

COMMODITY MARKETS

Gold prices edged up to touch their highest in over two months today, set for a fourth consecutive day of gains as rising tensions between the United States and North Korea stoked safe-haven buying. Spot gold was up 0.2 percent at \$1,287.90 per ounce. Earlier in the session, it marked its highest since June 8 and \$1,288.52 an ounce. Crude oil futures settled down \$0.97 at \$48.59 per barrel, after trading in a \$48.35 (after hours) to \$50.22 range.

EXPECTED INTRA-DAY RANGES FOR TODAY

EUR/USD	- A range of	1.1700-1.1770
GBP/USD	- A range of	1.2950-1.3050
AUD/USD	- A range of	0.7800-0.7825
USD/JPY	- A range of	108.50-109.25

MARKET WATCH

* U.S. Consumer prices July

MONEY MARKET

LOCAL MARKET

Overnight call-money traded between 8.55- 8.75% on Thursday. Net market liquidity with the Central Bank was a Surplus of Rs 31.40 Bn on Thursday from a surplus of Rs 12.37 Bn on Wednesday.

U.S. TREASURIES

U.S. Treasury long-dated yields dropped to six-week lows on Thursday, pressured by continued tensions between the United States and North Korea as well as weak economic data that reduced expectations of an interest rate hike in December. Over the last two weeks, U.S. 10-year note and 30-year bond yields have fallen 7 to 10 basis points as the North Korean issue has escalated.

SPOT RATES

USD/LKR	152.85-153.45
EUR/USD	1.1761-1.1762
GBP/USD	1.2974-1.2976
USD/JPY	109.03-109.06
USD/CAD	1.2751-1.2752
AUD/USD	0.7841-0.7849
USD/SGD	1.3632-1.3638
USD/INR	64.09- 64.10
GOLD	1,286.00-1,286.10
CRUDE	48.47-48.50

LIBOR %

	USD	EUR	JPY	GBP
1M	1.23	(0.40)	(0.03)	0.25
3M	1.31	(0.37)	(0.01)	0.28
6M	1.45	(0.30)	0.01	0.41
1Y	1.73	(0.19)	0.11	0.60

T/BILL RATES %

(W. Av. Last Auction)

3Months	8.87
6Months	9.02
12Months	9.38

T/BOND RATES %

(W. Av. Market rates)

2 Year	9.50
3Year	10.00
4 Year	10.00
5 Year	10.40
6 Year	10.50
7 Year	10.50
8Year	10.60

CLIBOR %(10/08/17) 8.63

SLIBOR %(10/08/17)

Overnight	8.74
1 Week	9.29
1 Month	9.95
3Months	10.72
6Months	12.00

MONEY MARKET RATES

Overnight	8.55 - 8.75
1 Week	8.85 - 8.95
2 Weeks	9.00 - 9.30
3 Weeks	9.10 - 9.40
1 Month	9.35 - 9.50

AWPLR %

Week ending 04/08	11.98
Week ago	12.26
Year ago	11.45

AWDR %

July 2017	9.19
June 2017	9.13
Year ago	7.10

INFLATION (%)

	YoY	12M W. Av
May 17 (NCPI)	7.10	
June 17 (NCPI)	6.30	
July (CCPI)	4.80	5.40
June (CCPI)	6.10	5.50
Year ago (CCPI)	5.80	3.40