



HNB TREASURY COMMENTARY

FOREIGN EXCHANGE MARKET

USD/LKR

USD/LKR (spot) quoted within a range of 152.50-153.10 on Tuesday.

FOREX MARKET

The dollar extended its sharp rally against the yen on Wednesday, although it was capped against the euro with a potentially supportive spike in U.S. yields neutralized by a similar move by their German counterparts. The pound hovered within distance of a one-year high after a robust UK inflation report added pressure on the Bank of England to do more to support the currency. The dollar was up 0.1 percent at 110.270 yen and at its highest in almost two weeks. The greenback had slumped to a 10-month low of 107.320 yen on Friday, when Hurricane Irma threatened Florida and as financial markets braced for the possibility of another missile or nuclear test by North Korea to mark its founding on Sept. 9. Sterling surged by almost 1 percent on Tuesday to its highest level in a year against the dollar, after a report showed UK inflation rose to match its highest in more than five years, adding pressure on the Bank of England to do more to support the currency. Inflation rose to 2.9 percent in August from a year earlier, more than forecast and above the BoE's 2 percent target, as households paid more for fuel and clothing. That complicates the job faced by policymakers of explaining why they are not raising interest rates). The Australian and New Zealand dollars fell on Tuesday as their U.S. peer staged a broad rebound on improving risk sentiment after Hurricane Irma was downgraded without causing as much damage as feared. The Australian dollar slipped 0.29 percent to \$0.8006 for its second straight session of losses. It had climbed to a more than 2-1/2 year high of \$0.8125 last week.

COMMODITY MARKETS

Gold prices held steady on Wednesday as the dollar remained firm, with safe-haven demand for the metal buoyed after U.S. President Donald Trump's latest comments on tensions over North Korea. OPEC on Tuesday forecast higher demand for its oil in 2018 and pointed to signs of a tighter global market, indicating its production-cutting deal with non-member countries is helping to tackle a supply glut that has weighed on prices.

EXPECTED INTRA-DAY RANGES FOR TODAY

EUR/USD	– A range of	1.1900-1.2050
GBP/USD	– A range of	1.3160-1.3350
AUD/USD	– A range of	0.7990-0.8060
USD/JPY	– A range of	108.50-110.50

MARKET WATCH

0600 Germany Consumer prices final Aug

MONEY MARKET

LOCAL MARKET

Overnight call-money traded at 8.00% on Tuesday. Net market liquidity with the Central Bank was a Surplus of Rs 32.82 Bn on Tuesday from a surplus Rs Rs 22.33 Bn on Monday

U.S. TREASURIES

U.S. long-dated Treasury yields rose for a third straight session as tepid demand for benchmark 10-year notes pressured overall bond prices. Investors typically sell Treasuries ahead of an auction to push the yield higher so they can buy them at a lower price in a practice called concession.

SPOT RATES

USD/LKR	152.55-153.15
EUR/USD	1.1978-1.1980
GBP/USD	1.3300-1.3304
USD/JPY	110.04-110.06
USD/CAD	1.2170-1.2171
AUD/USD	0.8028-0.8030
USD/SGD	1.3448-1.3456
USD/INR	64.02- 64.03
GOLD	1,331.00-1,331.20
CRUDE	48.24-48.26

LIBOR %

	USD	EUR	JPY	GBP
1M	1.23	(0.40)	(0.04)	0.25
3M	1.31	(0.37)	(0.03)	0.28
6M	1.45	(0.30)	(0.01)	0.40
1Y	1.70	(0.21)	0.10	0.60

T/BILL RATES %

(W. Av. Last Auction)

3Months	Not offered
6Months	9.23
12Months	9.58

T/BOND RATES %

(W. Av. Market rates)

2 Year	9.55
3Year	9.95
4 Year	10.10
5 Year	10.15
6 Year	10.20
7 Year	10.30
8Year	10.35

CLIBOR %(12/09/17) 7.98

SLIBOR %(12/09/17)

Overnight	8.16
1 Week	9.00
1 Month	9.53
3Months	10.58
6Months	12.00

MONEY MARKET RATES

Overnight	7.95 - 8.00
1 Week	8.10 – 8.30
2 Weeks	8.20– 8.50
3 Weeks	8.50– 8.75
1 Month	8.70 – 9.00

AWPLR %

Week ending 08/09	11.34
Week ago	11.37
Year ago	12.22

AWDR %

Aug 2017	9.21
July 2017	9.19
Year ago	7.32

INFLATION (%)

	YoY	12M W. Av
Aug 17 (NCPI)	6.30	
June 17 (NCPI)	6.30	
Aug (CCPI)	6.00	5.50
July (CCPI)	4.90	5.40
Year ago (CCPI)	4.40	3.70