



HNB TREASURY COMMENTARY

FOREIGN EXCHANGE MARKET

USD/LKR

USD/LKR (spot) quoted within a range of 153.15-153.75 on Wednesday.

FOREX MARKET

The dollar hit a two-week low versus a basket of currencies on Thursday, after minutes from the U.S. Federal Reserve's latest meeting suggested some central bankers are still concerned about persistently low inflation. The Fed minutes showed many policymakers still felt that another rate increase this year "was likely to be warranted" but several noted that additional tightening was dependent on upcoming inflation data. Many participants expressed concern that the low inflation readings this year might reflect... the influence of developments that could prove more persistent, and it was noted that some patience in removing policy accommodation while assessing trends in inflation was warranted," the Fed said in its minutes. The euro touched its highest in more than two weeks at \$1.1876, and was last up 0.1 percent on the day at \$1.1872. The euro found support this week, after Catalonia stopped short of formally declaring independence from Spain. Britain's pound steadied on Wednesday, holding just above a one-month low hit as investors grew concerned on whether entrenched expectations of higher UK interest rates were reasonable given a backdrop of uncertain Brexit negotiations. Noises around Brexit negotiations grew louder after finance minister Philip Hammond declared the government was planning for all possibilities, including Britain's leaving with no agreement on the terms of its departure. The Australian dollar edged higher on Wednesday after an upbeat consumer confidence reading boosted hopes for a rebound in consumption.

COMMODITY MARKETS

Gold prices were up slightly on Thursday, extending gains from the previous session amid a muted U.S. dollar after minutes from the U.S. Federal Reserve's September policy meeting revealed low inflation concerns. Oil prices eased on Thursday as U.S. fuel inventories rose despite efforts by OPEC to cut production and tighten the market.

EXPECTED INTRA-DAY RANGES FOR TODAY

EUR/USD	– A range of	1.1740-1.1875
GBP/USD	– A range of	1.3130-1.3265
AUD/USD	– A range of	0.7750-0.7815
USD/JPY	– A range of	112.03-112.90

MARKET WATCH

1000	Euro zone	Industrial production	Aug
1230	U.S.	Weekly jobless claims	

MONEY MARKET

LOCAL MARKET

Overnight call-money traded at 8.15% on Wednesday. Net market liquidity with the Central Bank was a Surplus of Rs 15.46 Bn on Wednesday from a surplus Rs 12.69 Bn on Tuesday.

U.S. TREASURIES

U.S. Treasury prices were little changed on Wednesday after minutes from the Federal Reserve's September meeting were in line with expectations and after the Treasury Department saw solid demand for three-year and 10-year note supply.

SPOT RATES

USD/LKR	153.20-153.80
EUR/USD	1.1871-1.1873
GBP/USD	1.3247-1.3250
USD/JPY	112.40-112.42
USD/CAD	1.2457-1.2461
AUD/USD	0.7805-0.7807
USD/SGD	1.3544-1.3549
USD/INR	65.36- 65.37
GOLD	1,292.25-1,293.75
CRUDE	51.02-51.10

LIBOR %

	USD	EUR	JPY	GBP
1M	1.24	(0.40)	(0.03)	0.27
3M	1.36	(0.38)	(0.04)	0.36
6M	1.52	(0.31)	(0.01)	0.51
1Y	1.81	(0.22)	0.10	0.74

T/BILL RATES % (W. Av. Last Auction)

3Months	8.78
6Months	9.10
12Months	9.41

T/BOND RATES % (W. Av. Market rates)

2 Year	9.40
3Year	9.85
4 Year	10.00
5 Year	10.15
6 Year	10.10
7 Year	10.15
8Year	10.50

CLIBOR %(11/10/17) 8.14

SLIBOR % (11/10/17)

Overnight	8.15
1 Week	8.45
1 Month	9.20
3Months	10.13
6Months	11.61

MONEY MARKET RATES

Overnight	8.05 - 8.15
1 Week	8.20 - 8.25
2 Weeks	8.40 - 8.65
3 Weeks	8.50 - 8.75
1 Month	8.75 - 9.00

AWPLR %

Week ending 06/10	11.55
Week ago	11.37
Year ago	12.12

AWDR %

Aug 2017	9.21
July 2017	9.19
Year ago	7.32

INFLATION (%)

	YoY	12M W. Av
Aug 17 (NCPI)	7.9	
Sep 17 (NCPI)	6.3	
Aug (CCPI)	6.00	5.50
July (CCPI)	7.10	5.80
Year ago (CCPI)	4.20	3.90