

HNB TREASURY COMMENTARY

FOREIGN EXCHANGE MARKET

USD/LKR

USD/LKR (spot) quoted within a range of 153.40-154.20 on Thursday.

FOREX MARKET

The dollar slumped against rivals today on the back of weak factory inflation data, while the euro enjoyed solid support after the European Central Bank hinted that it could be gearing up to trim its massive monetary stimulus. The dollar index, which tracks the greenback against a basket of six major rival currencies, edged down 0.1 percent to 91.798. A move below the Jan. 2 low of 91.751 would put it at its weakest since Sept. 20. The index was on track to shed 0.3 percent for the week, pressured by data on Thursday that showed U.S. producer prices fell for the first time in nearly 1-1/2 years in December, which could temper expectations that inflation will accelerate in 2018. Against the yen, the dollar gave up 0.1 percent to 111.14 after plumbing a six-week low of 111.05 yen on Thursday. The euro was up 0.3 percent at \$1.2062, approaching its nearly four-month high of \$1.2089 set last week. It was up 0.3 percent for the week. Sterling slipped to a one-week low against the euro on Thursday, as the single currency soared on talk that the European Central Bank could start to change its message of expansionary monetary policy in the coming months. Sterling was up a quarter of a percent against the dollar at \$1.3539. The Australian dollar jumped to a three-month peak on Thursday after a surprisingly strong reading on retail sales boosted the outlook for consumer spending and economic growth, while narrowing the odds on a rate hike this year. The Australian dollar hopped to \$0.7875, from \$0.7842, but again shied away from stiff chart resistance at \$0.7884 and \$0.7898 - a double top hit in September.

COMMODITY MARKETS

Gold prices rose for a third straight session today on a weaker dollar, with the precious metal on track for a fifth straight weekly gain. Spot gold edged up 0.1 percent to \$1,324 an ounce. Oil prices eased today after hitting their highest levels since December, 2014 the previous day. U.S. West Texas Intermediate (WTI) crude futures were at \$63.58 a barrel 22 cents, or 0.3 percent, below their last settlement. WTI the day before hit its strongest since late 2014 at \$64.77 a barrel.

EXPECTED INTRA-DAY RANGES FOR TODAY

EUR/USD	- A range of	1.2025-1.2050
GBP/USD	- A range of	1.3525-1.3575
AUD/USD	- A range of	0.7850-0.7900
USD/JPY	- A range of	111.00-111.50

MARKET WATCH

* China - Exports, Imports, Trade Balance

MONEY MARKET

LOCAL MARKET

Overnight call-money traded between 8.00-8.20% on Thursday. Net market liquidity with the Central Bank was a Surplus of Rs 7.94 Bn on Thursday from a surplus of Rs 49.65 Bn on Wednesday.

U.S. TREASURIES

Treasury yields fell today after China disputed a report that its government officials had recommended the country slow or halt its purchases of U.S. bonds. China is diversifying its foreign exchange reserves in order to safeguard their value, while dismissing a media report about its purchases of U.S. debt. Benchmark 10-year notes gained 6/32 in price to yield 2.53 percent, after rising as high as 2.597 on Wednesday, the highest since March 15.

SPOT RATES

USD/LKR	153.60-154.10
EUR/USD	1.2044-1.2046
GBP/USD	1.3543-1.3546
USD/JPY	111.22-111.25
USD/CAD	1.2522-1.2526
AUD/USD	0.7880-0.7884
USD/SGD	1.3285-1.3287
USD/INR	63.66- 63.68
GOLD	1,325.26-1326.03
CRUDE	63.63-63.65

LIBOR %

	USD	EUR	JPY	GBP
1M	1.55	(0.41)	(0.03)	0.50
3M	1.71	(0.38)	(0.03)	0.52
6M	1.87	(0.33)	0.03	0.58
1Y	2.16	(0.24)	0.12	0.77

T/BILL RATES %

(W. Av. Last Auction)

3Months	N/O
6Months	8.06
12Months	8.80

T/BOND RATES %

(W. Av. Market rates)

2 Year	9.05
3 Year	9.15
4 Year	9.30
5 Year	9.45
6 Year	9.50
7 Year	9.55
8 Year	9.60

CLIBOR % (11/01/18) 8.09

SLIBOR % (11/01/18)

Overnight	8.13
1 Week	8.37
1 Month	9.26
3Months	10.05
6Months	11.77

MONEY MARKET RATES

Overnight	8.00 - 8.20
1 Week	8.25 - 8.35
2 Weeks	8.45 - 8.55
3 Weeks	8.65 - 8.75
1 Month	9.00 - 9.25

AWPLR %

Week ending 05/01	11.46
Week ago	11.55
Year ago	11.84

AWDR %

Dec 2017	9.07
Nov 2017	9.19
Year ago	8.17

INFLATION (%)

	YoY	12M W. Av
Nov 17 (NCPI)	8.4	
Oct 17 (NCPI)	8.8	
Dec (CCPI)	7.1	6.6
Nov (CCPI)	7.6	6.4
Year ago (CCPI)	4.5	4.0