



HNB TREASURY COMMENTARY

FOREIGN EXCHANGE MARKET

USD/LKR

USD/LKR (spot) quoted within a range of 154.20-154.90 on Friday.

FOREX MARKET

The yen edged higher versus the dollar today, but traded below a five-month high after a bounce in U.S. equities late last week dampened demand for traditional safe haven currencies. The dollar eased 0.2 percent to 108.62 yen, but remained above Friday's trough of 108.05 yen. The dollar fell nearly 1.3 percent against the yen last week. The yen tends to attract demand in times of market stress as the currency is backed by Japan's current account surplus, which offers it more resilience compared to currencies of deficit-running countries. Against a basket of six major currencies, the dollar eased 0.2 percent to 90.291 after gaining 1.4 percent last week. The euro held steady at \$1.2258. Last week, the common currency slid 1.6 percent, its worst weekly performance since November 2016, as receding risk sentiment and higher volatility prompted market players to cut back their positions. The euro was susceptible to such position-squaring because a popular trade before the recent market upheaval had been to buy the euro on expectations of the European Central Bank unwinding monetary stimulus. Sterling erased recent gains and slid against the dollar and the euro on Friday after the European Union's Brexit negotiator warned Britain that a post-Brexit transition deal was "not a given". The pound dropped 0.9 percent against the dollar to trade at a session low of \$1.3786, its weakest since Jan. 17, before recovering slightly. Against the euro sterling fell as much as 0.8 percent to trade at 88.79 pence. The Australian dollar slipped to a more than one-month through on Friday and was on track for its second straight weekly loss amid a global flight to safety while its New Zealand cousin also struggled near recent lows. The Australian dollar eased 0.2 percent to \$0.7767, a level last visited in late December. For the week so far, it is down about 2 percent, piling on to the previous week's 2.3 percent decline.

COMMODITY MARKETS

Gold prices edged up early Today as the dollar eased a touch after last week's rally and investors waited for more data on U.S. inflation amid expectations of rising interest rates. Spot gold was up 0.3 percent at \$1,320.19 an ounce. Prices touched their lowest since Jan. 4 at \$1,306.81 last week. Oil prices rose today, steadying from steep losses as calmer stock markets found their footing after tumbling in last week's chaotic trading. Brent crude futures were at \$63.20 per barrel, up 41 cents, or 0.7 percent, from the previous close.

EXPECTED INTRA-DAY RANGES FOR TODAY

EUR/USD	- A range of	1.2250-1.2300
GBP/USD	- A range of	1.3800-1.3875
AUD/USD	- A range of	0.7800-0.7850
USD/JPY	- A range of	108.50-109.00

MARKET WATCH

* U.S. Weekly jobless claims

MONEY MARKET

LOCAL MARKET

Overnight call-money traded between 8.10-8.30% on Friday. Net market liquidity with the Central Bank was a Surplus of Rs 18.4 Billion on Friday from a Surplus of Rs 6.24 Billion on Thursday.

U.S. TREASURIES

U.S. Treasury prices gained on Friday after renewed weakness in equity markets increased demand for the low-risk debt. Bond yields have jumped in the past two weeks as rising inflation and other economic data has led investors to adjust for the prospect of faster economic growth and the possibility the Federal Reserve will raise interest rates faster than previously expected. Benchmark 10-year notes were last up 9/32 in price to yield 2.819 percent, down from 2.849 percent.

SPOT RATES

USD/LKR	154.30-154.40
EUR/USD	1.2281-1.2285
GBP/USD	1.3837-1.3841
USD/JPY	108.67-108.70
USD/CAD	1.2564-1.2565
AUD/USD	0.7827-0.7828
USD/SGD	1.3260-1.3262
USD/INR	64.25- 64.42
GOLD	1,324.08-1324.21
CRUDE	59.80-60.00

LIBOR %

	USD	EUR	JPY	GBP
1M	1.58	(0.40)	(0.05)	0.49
3M	1.82	(0.38)	(0.06)	0.53
6M	2.03	(0.33)	0.01	0.63
1Y	2.31	(0.25)	0.10	0.84

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

3Months	7.75
6Months	7.99
12Months	8.94

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

2 Year	9.10
3 Year	9.20
4 Year	9.30
5 Year	9.40
6 Year	9.45
7 Year	9.50
8 Year	9.65

CLIBOR % (09/02/18) 8.14

SLIBOR % (09/02/18)

Overnight	8.15
1 Week	8.39
1 Month	9.17
3Months	10.01
6Months	10.75

MONEY MARKET RATES

Overnight	8.10 - 8.30
1 Week	8.30 - 8.35
2 Weeks	8.45- 8.55
3 Weeks	8.65- 9.00
1 Month	9.00 - 9.25

AWPLR %

Week ending 09/02	11.16
Week ago	11.04
Year ago	11.49

AWDR %

Jan 2018	9.08
Dec 2017	9.07
Year ago	8.42

INFLATION (%)

	YoY	
Dec 17	(NCPI)	7.3
Nov 17	(NCPI)	8.4

YoY 12M W. Av

Jan (CCPI)	5.8	6.6
Dec (CCPI)	7.1	6.6
Year ago (CCPI)	1.7	2.1