



# HNB TREASURY COMMENTARY

## FOREIGN EXCHANGE MARKET

### USD/LKR

USD/LKR (spot) quoted within a range of 155.10-155.85 on Tuesday.

### FOREX MARKET

The dollar steadied against a basket of currencies today, having pulled up from three-year lows set last week as traders shaved off some of the bearish bets against the U.S. currency. The dollar index last stood at 89.686, up 1.6 percent from Friday's three-year low of 88.251. Against the yen, the greenback edged up 0.1 percent to 107.41 yen, having bounced from a 15-month low of 105.545 yen set on Friday. Market participants attributed the dollar's bounce over the past few sessions to short-covering after speculative trades pushed it close to 105 yen. "It's mainly a positioning clean-up in my view," said Tareck Horchani, head of sales trading in Asia Pacific for Saxo Markets in Singapore. Against the yen, the dollar will probably consolidate after its recent selloff and may have some room to head higher in the near term, Horchani said. The U.S. currency has weakened against the yen and other major currencies in recent months, with the positive impetus from rising U.S. interest rates offset by a barrage of bearish factors, including worries that the United States could pursue a weaker dollar policy. Mounting worries about the U.S. budget deficit, which some say could balloon to more than \$1 trillion in 2019 amid a government spending splurge and large corporate tax cuts, have also undermined the greenback. The euro held steady at \$1.2340, having retreated from a three-year high of \$1.2556 set on Friday. Sterling recovered against the dollar and rose against the euro on Tuesday after a media report said the European Parliament would call for giving Britain "privileged" single market access.

### COMMODITY MARKETS

Gold extended its fall today as the dollar remained strong on rising treasury yields, while investors awaited the minutes of the U.S. Federal Reserve's last policy meeting for cues on the pace of interest rate hikes this year. Spot gold had slipped by 0.1 percent to \$1,328.65 an ounce and was down for a fourth straight session. Prices fell 1.3 percent on Tuesday, in their biggest one-day percentage decline since Dec. 7, 2017. Oil prices fell today, weighed down as the U.S. dollar moved further away from three-year lows hit last week. Brent crude futures had dropped 36 cents, or 0.6 percent, from their last close to \$64.89 per barrel.

### EXPECTED INTRA-DAY RANGES FOR TODAY

EUR/USD	- A range of	1.2300-1.2400
GBP/USD	- A range of	1.3950-1.4000
AUD/USD	- A range of	0.7850-0.7900
USD/JPY	- A range of	107.50-108.60

### MARKET WATCH

* U.S.	Markit manufacturing PMI flash	Feb
* U.S.	Existing home sales	Jan

## MONEY MARKET

### LOCAL MARKET

Overnight call-money traded between 8.10-8.25% on Tuesday. Net market liquidity with the Central Bank was a Surplus of Rs 14.32 Bn on Tuesday from a Surplus of Rs 17.70 Bn on Monday.

### U.S. TREASURIES

U.S. Treasury yields rose on Tuesday with the benchmark 10-year yield hovering near a four-year peak as investors made room for this week's deluge of \$258 billion of government debt supply. The amount of Treasury issuance is the second largest ever over a three-day period, falling \$1 billion short of the all-time record high set in August 2010, according to Wrightson ICAP chief economist Lou Crandall.

## SPOT RATES

USD/LKR	155.40-155.60
EUR/USD	1.2336-1.2340
GBP/USD	1.3989-1.3990
USD/JPY	107.75-107.78
USD/CAD	1.2645-1.2651
AUD/USD	0.7866-0.7869
USD/SGD	1.3187-1.3192
USD/INR	64.79- 64.80
GOLD	1,327.11-1327.88
CRUDE	61.32-61.34

### LIBOR %

	USD	EUR	JPY	GBP
1M	1.59	(0.40)	(0.03)	0.49
3M	1.89	(0.37)	(0.06)	0.54
6M	2.11	(0.32)	0.01	0.65
1Y	2.39	(0.25)	0.09	0.87

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

3Months	8.02
6Months	8.29
12Months	9.28

### 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 % (20/02/18) 8.14

SLIBOR % (20/02/18)

Overnight	8.15
1 Week	8.40
1 Month	9.18
3Months	10.00
6Months	10.74

### MONEY MARKET RATES

Overnight	8.10 - 8.20
1 Week	8.25 - 8.35
2 Weeks	8.35- 8.45
3 Weeks	8.50- 8.75
1 Month	9.00 - 9.25

### AWPLR %

Week ending 16/02	11.25
Week ago	11.16
Year ago	11.54

### 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