



HNB TREASURY COMMENTARY

FOREIGN EXCHANGE MARKET

USD/LKR

USD/LKR (spot) quoted within a range of 155.25-156.00 on Monday.

FOREX MARKET

The yen held firm against the dollar today as a political scandal overwhelming Japanese Prime Minister Shinzo Abe's government raised doubts about his ability to continue to pursue his economic policies, including monetary easing. The yen traded at 106.35 per U.S. dollar, after gaining 0.4 percent the previous day as Abe's cronyism scandal attracted fresh attention from market participants. The euro traded at \$1.2335, having lost steam since Thursday when European Central Bank President Mario Draghi struck a cautious tone on the euro zone economy. Sterling climbed on Monday and held near the day's highs as risk appetite prompted investors to buy the currency but concerns over progress in Brexit negotiations limited the gains. "There is plenty of noise out there and while expectations of a UK rate hike is about 70 percent priced in by markets, the outcome of the talks later this month is key," said Marc Ostwald, a global strategist at ADM Investor Services International in London said. The pound rose 0.4 percent to \$1.3905, broadly in line with gains registered by other currencies against the dollar, but it is still some way below a post-Brexit referendum high of \$1.4346 in late January. Sterling also edged 0.2 percent higher to 88.65 pence to the euro. The Australian and New Zealand dollars climbed on Monday, as risk appetite improved following strong U.S. payrolls data that eased worries about inflation and faster rate hikes in the world's largest economy. With inflationary worries fading, the antipodean currencies rallied, with the Australian dollar hitting a two-week top of \$0.7867. Its New Zealand cousin rose 0.5 percent to \$0.7318, the highest since Feb. 26.

COMMODITY MARKETS

Gold prices inched up today as the dollar remained subdued and as investors waited for U.S. consumer price data later in the day to gauge the outlook for inflation and Federal Reserve policy. Spot gold had edged up 0.1 percent to \$1,324.08 per ounce. U.S. gold futures for April delivery climbed 0.3 percent to \$1,324.50 per ounce. The dollar index against a basket of six major currencies was flat at 89.900, after shedding about 0.2 percent overnight. Oil prices fell today, extending falls from the previous day, as the relentless rise in U.S. crude output weighed on markets. Brent crude futures were at \$64.80 per barrel, down 15 cents, or 0.2 percent.

EXPECTED INTRA-DAY RANGES FOR TODAY

EUR/USD	– A range of	1.2310-1.2365
GBP/USD	– A range of	1.3880-1.3930
AUD/USD	– A range of	0.7840-0.7900
USD/JPY	– A range of	106.00-106.70

MARKET WATCH

* U.S.	NFIB business optimism index	Feb
* U.S.	Consumer prices	Feb

MONEY MARKET

LOCAL MARKET

Overnight call-money traded between 8.10-8.20% on Monday. Net market liquidity with the Central Bank was a Surplus of Rs 37.79 Bn on Monday from a Surplus of Rs 23.75 Bn on Friday.

U.S. TREASURIES

Increased supply did not quell demand for three- and 10-year Treasury notes auctioned Monday, a positive sign for the heavy issuance expected in the year ahead. The benchmark 10-year government note was last at 2.868 percent, down from 2.957 percent hit on Feb. 21, its highest since trading above 3 percent in January 2014.

SPOT RATES

USD/LKR	155.60-155.70
EUR/USD	1.2331-1.2335
GBP/USD	1.3902-1.3903
USD/JPY	106.36-106.37
USD/CAD	1.2839-1.2842
AUD/USD	0.7876-0.7877
USD/SGD	1.3130-1.3132
USD/INR	65.04- 65.05
GOLD	1,323.06-1323.86
CRUDE	61.20-61.35

LIBOR %

	USD	EUR	JPY	GBP
1M	1.75	(0.41)	(0.08)	0.49
3M	2.08	(0.37)	(0.05)	0.60
6M	2.26	(0.33)	0.01	0.70
1Y	2.54	(0.25)	0.11	0.91

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

3Months	Rejected
6Months	Rejected
12Months	9.66

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

2 Year	9.10
3 Year	9.85
4 Year	9.30
5 Year	9.40
6 Year	9.45
7 Year	10.34
8Year	9.65

CLIBOR % (12/03/18) 8.14

SLIBOR % (12/03/18)

Overnight	8.15
1 Week	8.40
1 Month	9.20
3Months	10.00
6Months	10.71

MONEY MARKET RATES

Overnight	8.10 - 8.20
1 Week	8.30 - 8.50
2 Weeks	8.50- 8.75
3 Weeks	8.75- 9.00
1 Month	9.00 - 9.25

AWPLR %

Week ending 02/03	11.03
Week ago	11.43
Year ago	11.70

AWDR %

Feb 2018	9.05
Jan 2018	9.08
Year ago	8.66

INFLATION (%)

	YoY
Jan 18 (NCPI)	5.4
Dec 17 (NCPI)	7.3

	YoY	12M W. Av
Feb (CCPI)	4.5	6.4
Jan (CCPI)	5.8	6.6
Year ago (CCPI)	6.8	4.6