



HNB TREASURY COMMENTARY

FOREIGN EXCHANGE MARKET

USD/LKR

USD/LKR (spot) quoted within a range of 157.90-158.50 on Tuesday.

FOREX MARKET

The dollar traded near a five-month high against a group of major currencies today, as a surge in the benchmark 10-year Treasury yield above 3 percent reignited a rally that had lost steam last week. The dollar index versus a basket of six major peers added 0.1 percent to 93.335 after rallying to 93.457 overnight, its highest since Dec. 22. The greenback had gained with few interruptions since mid-April as easing tensions in the Korean Peninsula and moves by China and the United States to prevent a full-blown trade war allowed investors to focus on the yield advantage the United States enjoys over other countries. The euro was 0.1 percent lower at \$1.1823 after brushing \$1.1817, its weakest since late December. The dollar was little changed at 110.300 yen, having risen to 110.450 overnight, its strongest since Feb. 5. Sterling fell sharply against the dollar on Tuesday to its lowest since December after a rise in U.S. Treasury yields helped the greenback resume its recent rally. Weak economic data and a decision by the Bank of England to hold interest rates and cut its growth projections have confounded sterling bulls in the last month after a period outperforming other major currencies. The Australian dollar stepped back on Tuesday as the country's central bank signalled it would keep rates steady for some time while the New Zealand currency hit another six-month low as the greenback inched up amid hopes of easing global trade tensions. The Australian dollar was last at \$0.7523 from a two-week high of \$0.7568 touched on Friday.

COMMODITY MARKETS

Gold prices recovered slightly early today, after sliding to the lowest level this year in the previous session on surging U.S. bond yields and a stronger dollar. Spot gold rose 0.2 percent to \$1,292.73 per ounce, after shedding 1.7 percent and marking the lowest this year at \$1,288.31 in the previous session. U.S. gold futures for June delivery were up 0.1 percent at \$1,292.10 per ounce. Oil prices fell today, weighed down by ample supplies despite ongoing output cuts by producer cartel OPEC and looming U.S. sanctions against major crude exporter Iran. Brent crude futures were at \$78.17 per barrel, down 26 cents, or 0.3 percent, from their last close.

EXPECTED INTRA-DAY RANGES FOR TODAY

EUR/USD	– A range of	1.1790-1.1860
GBP/USD	– A range of	1.3465-1.3530
AUD/USD	– A range of	0.7420-0.7490
USD/JPY	– A range of	110.00-110.60

MARKET WATCH

- *China House prices Apr
- *U.S. Industrial production Apr

MONEY MARKET

LOCAL MARKET

Overnight call-money traded between 7.85-7.90% on Tuesday. Net market liquidity with the Central Bank was a Surplus of Rs 3.01 Bn on Tuesday from a Surplus of Rs 7.15 Bn on Monday.

U.S. TREASURIES

The 10-year yield had traded around 3 percent since reaching late last month on concerns about rising inflation and a ballooning federal budget gap. On the other hand, trade tension between the United States and other nations and signs of faltering growth in Europe had kept a lid on U.S. yields. The 10-year Treasury yield on Tuesday reached 3.095 percent.

SPOT RATES

USD/LKR	158.00-158.20
EUR/USD	1.1828-1.1829
GBP/USD	1.3498-1.3501
USD/JPY	110.23-110.24
USD/CAD	1.2860-1.2866
AUD/USD	0.7465-0.7466
USD/SGD	1.3432-1.3437
USD/INR	68.07- 68.09
GOLD	1,294.03-1294.19
CRUDE	71.03-71.05

LIBOR %

	USD	EUR	JPY	GBP
1M	1.93	(0.39)	(0.04)	0.49
3M	2.33	(0.35)	(0.03)	0.64
6M	2.50	(0.31)	0.02	0.75
1Y	2.75	(0.24)	0.11	0.92

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

3Months	8.11
6Months	Rejected
12Months	9.65

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

2 Year	10.05
3 Year	10.10
4 Year	10.20
5 Year	10.45
6 Year	10.55
7 Year	10.60
8 Year	10.65

CLIBOR % (15/05/18) 7.89

SLIBOR % (15/05/18)

Overnight	7.91
1 Week	8.26
1 Month	8.76
3Months	10.02
6Months	10.62

MONEY MARKET RATES

Overnight	7.85 - 7.90
1 Week	8.00 - 8.20
2 Weeks	8.15- 8.25
3 Weeks	8.25- 8.40
1 Month	8.35 - 8.75

AWPLR %

Week ending 11/05	11.27
Week ago	11.45
Year ago	11.89

AWDR %

Apr 2018	8.98
Mar 2018	9.00
Year ago	8.89

INFLATION (%)

	YoY
Mar 18 (NCPI)	2.8
Feb 18 (NCPI)	3.2

YoY 12M W. Av

Apr (CCPI)	3.8	5.9
Mar (CCPI)	4.2	6.1
Year ago (CCPI)	6.9	5.3