



HNB TREASURY COMMENTARY

FOREIGN EXCHANGE MARKET

USD/LKR

USD/LKR (spot) quoted within a range of 159.20-160.00 on Tuesday.

FOREX MARKET

The dollar approached a three-week high against the yen and stood tall against the euro today ahead of the Federal Reserve's policy meeting, which could give clues on how many more rate hikes might come out of the U.S. this year. The Fed concludes its two-day policy meeting later today, at which it is widely expected to hike rates for the second time this year. Market focus is on whether the Fed signals tightening policy four times in 2018, from the three times indicated earlier this year, after the world's largest economy has expanded steadily. The dollar index against a basket of six major currencies inched up 0.03 percent to 93.829 after rising 0.25 percent the previous day. The pound rose on Tuesday after British Prime Minister Theresa May saw off a rebellion in parliament over amendments to a bill for the country's exit from the EU next year that had threatened to undermine her authority. The Australian and New Zealand dollars inched up on Tuesday as smiles at the start of the U.S.-North Korea summit improved risk assets, though trading volumes were low as worries lingered about a global fight over tariffs. The Aussie added 0.1 percent to \$0.7615 from Monday's low of \$0.7575. The Aussie has been stuck in a \$0.7515/7620 range for several days. It broke the band to go as high as \$0.7677 last week, but failed to sustain at those levels. The New Zealand dollar climbed 0.1 percent to \$0.7030, just above a one-week trough of \$0.6998 touched earlier in the session.

COMMODITY MARKETS

Gold prices were little changed today ahead of the U.S. Federal Reserve's policy decision which could give signs on future rate hikes. Spot gold was nearly unchanged at \$1,295.22 per ounce. U.S. gold futures for August delivery were 0.1 percent lower at \$1,298.80 per ounce. Oil prices fell today, pulled down by rising supplies in the United States and expectations that voluntary production cuts led by producer cartel OPEC could be loosened.

EXPECTED INTRA-DAY RANGES FOR TODAY

EUR/USD	- A range of	1.1720-1.1770
GBP/USD	- A range of	1.3340-1.3395
AUD/USD	- A range of	0.7540-0.7590
USD/JPY	- A range of	110.15-110.80

MARKET WATCH

- * U.S. Consumer prices May
- * Germany ZEW economic sentiment June
- * U.S. Federal Reserve starts two-day policy meeting

MONEY MARKET

LOCAL MARKET

Overnight call-money traded between 8.25-8.50% on Tuesday. Net market liquidity with the Central Bank was a Deficit of Rs. 7.55 Bn on Tuesday from a Deficit of Rs 8.42 Bn on Monday.

U.S. TREASURIES

U.S. Treasury yields rose on Tuesday ahead of today's widely expected hike in interest rates by the Federal Reserve and after inflation data met economists' expectations. Benchmark 10-year notes fell 1/32 on the day in price to yield 2.961 percent, up from 2.957 percent on Monday.

SPOT RATES

USD/LKR	159.40-159.60
EUR/USD	1.1744-1.1747
GBP/USD	1.3361-1.3365
USD/JPY	110.57-110.59
USD/CAD	1.3020-1.3024
AUD/USD	0.7561-0.7566
USD/SGD	1.3360-1.3373
USD/INR	67.47- 67.48
GOLD	1,295.61-1,295.76
CRUDE	65.99-66.00

LIBOR %

	USD	EUR	JPY	GBP
1M	2.04	(0.40)	(0.08)	0.49
3M	2.33	(0.35)	(0.03)	0.62
6M	2.49	(0.30)	0.01	0.75
1Y	2.75	(0.22)	0.11	0.92

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

3Months	8.34
6Months	8.87
12Months	9.44

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

2 Year	9.80
3 Year	9.95
4 Year	10.20
5 Year	10.45
6 Year	10.45
7 Year	10.60
8Year	10.60

CLIBOR % (12/06/18) 8.32

SLIBOR % (12/06/18)

Overnight	8.25
1 Week	8.33
1 Month	8.96
3Months	10.06
6Months	10.66

MONEY MARKET RATES

Overnight	8.40 - 8.50
1 Week	8.50 - 8.75
2 Weeks	8.75- 8.90
3 Weeks	8.85- 9.10
1 Month	9.00 - 9.25

AWPLR %

Week ending 08/06	11.22
Week ago	11.42
Year ago	11.40

AWDR %

May 2018	8.91
Apr 2018	8.98
Year ago	8.99

INFLATION (%)

	YoY		YoY
Apr 18	(NCPI)	1.6	
Mar 18	(NCPI)	2.8	

	YoY	12M W. Av
May (CCPI)	4.0	5.7
Apr (CCPI)	3.8	5.9
Year ago (CCPI)	6.0	5.4