



HNB TREASURY COMMENTARY

FOREIGN EXCHANGE MARKET

USD/LKR

USD/LKR (spot) quoted within a range of 158.95-159.75 on Tuesday.

FOREX MARKET

The dollar rose near an 11-month high against the Chinese yuan and the Australian dollar tumbled after the U.S. said it would slap tariffs on an extra \$200 billion of imports from China, sharply escalating tensions between the world's two biggest economies. The news threw U.S.-China trade war worries back into the spotlight just days after Washington imposed 25 percent tariffs on \$34 billion of Chinese imports, and Beijing responded immediately with matching tariffs on the same amount of U.S. exports to China.

The Australian dollar slipped 0.6 percent to \$0.7417 from this week's high of \$0.7484, which was its highest levels in more than three weeks. The news also prompted knee-jerk selling of riskier assets against less vulnerable currencies. The yen tends to be bought at times of economic and political stress because Japan's status as the world's largest credit nation suggests any repatriation by Japanese investors were likely to exceed those from Japan by foreign investors. U.S. Trade Representative Robert Lighthizer said the United States would impose tariffs of 10 percent on additional Chinese imports worth \$200 billion. The Trump administration released a wide-ranging list of Chinese goods it wants to hit with tariffs, including hundreds of food products as well as tobacco, coal, chemicals and tires, dog and cat food, and consumer electronics including television components. The Euro lost 0.1 percent against the dollar, edging down to \$1.1729. The British pound also shed 0.1% to trade at \$1.3265. The dollar index, which measures the greenback against a basket of six major currencies was up 0.1 percent to 94.214, moving off a nearly one-month low around 93.71 hit on Monday.

COMMODITY MARKETS

Gold prices inched lower early on Wednesday as the U.S. dollar firmed amid an escalating trade spat between the United States and China. Oil prices fell on Wednesday, with Brent dropping by more than \$1, after the United States said it would consider requests for waivers from sanctions due to snap back into place on Iranian crude exports.

EXPECTED INTRA-DAY RANGES FOR TODAY

EUR/USD	– A range of	1.1680-1.1790
GBP/USD	– A range of	1.3200-1.3330
AUD/USD	– A range of	0.7400-0.7500
USD/JPY	– A range of	110.60-111.40

MARKET WATCH

CA - Bank of Canada rate Decision
 US – Mortgage Applications

MONEY MARKET

LOCAL MARKET

Overnight call-money traded between 8.33-8.50% on Tuesday. Net market liquidity with the Central Bank was a Deficit of Rs. 17.16 Bn on Tuesday from a Deficit of Rs 18.00 Bn on Monday.

U.S. TREASURIES

The yields on U.S. longer-dated Treasuries trimmed their earlier rise late on Tuesday following a Bloomberg report, citing sources, that U.S. President Donald Trump is ready to release of an additional \$200 billion in Chinese goods to be hit with tariffs

SPOT RATES

USD/LKR	159.10-159.60
EUR/USD	1.1731-1.1732
GBP/USD	1.3261-1.3266
USD/JPY	111.08-111.04
USD/CAD	1.3138-1.3142
AUD/USD	0.7422-0.7423
USD/SGD	1.3587-1.3590
USD/INR	68.82- 68.83
GOLD	1,250.70-1,251.50
CRUDE	73.49-74.50

LIBOR %

	USD	EUR	JPY	GBP
1M	2.08	(0.39)	(0.07)	0.54
3M	2.33	(0.36)	(0.04)	0.72
6M	2.51	(0.31)	0.01	0.83
1Y	2.78	(0.24)	0.11	1.00

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

3Months	8.35
6Months	8.85
12Months	9.43

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

2 Year	9.53
3 Year	10.00
4 Year	10.35
5 Year	10.50
6 Year	10.52
7 Year	10.65
8 Year	10.65

CLIBOR % (10/07/18) 8.48

SLIBOR % (10/07/18)

Overnight	8.50
1 Week	8.74
1 Month	9.01
3Months	10.02
6Months	10.76

MONEY MARKET RATES

Overnight	8.45 - 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 06/07	11.33
Week ago	11.33
Year ago	11.70

AWDR %

June 2018	8.92
May 2018	8.91
Year ago	9.13

INFLATION (%)

		YoY
May 18	(NCPI)	2.1
Apr 18	(NCPI)	1.6

	YoY	12M W. Av
June (CCPI)	4.4	5.6
May (CCPI)	4.0	5.7
Year ago (CCPI)	6.1	5.5