



HNB TREASURY COMMENTARY

FOREIGN EXCHANGE MARKET

USD/LKR

USD/LKR (spot) quoted within a range of 159.45-160.25 on Monday.

FOREX MARKET

The dollar fell on Monday as investors pared long bets on the greenback and rebalanced their positions ahead of Federal Reserve Chairman Jerome Powell's first congressional testimony. Powell will testify on the economy and monetary policy before the U.S. Senate Banking Committee today, followed by testimony on Wednesday to the House of Representatives Financial Services Committee. He is likely to reiterate the Fed's gradual monetary policy tightening, although any suggestion of caution on trade could unravel the market's appetite for risk, analysts said. The dollar has benefited from expectations of further interest rate increases this year as well as a growing belief that the United States is better placed than its major rivals to withstand a potential disruption in global trade. Outstanding U.S. dollar bets are at their highest levels since March 2017, with the latest weekly data showing yet another increase in positions. Speculators were net long dollars for a fourth consecutive week, after being net short for 48 straight weeks. In late trading, the dollar fell 0.2 % against a basket of six major currencies to 94.526 sliding for a second straight session. The uptrend on the dollar remained intact. Since hitting a more than three-year low against a basket of major currencies in February, the dollar has gained nearly 8%. The dollar's growing inverse correlation with global risk appetite has also fueled a near 6% rise in the greenback over the last three months. A rebound in global risk appetite on Monday, despite some tepid Chinese economic data, dampened fears about the escalating trade conflict between Beijing and Washington and boosted higher-yielding currencies. The Euro, meanwhile, rose 0.2% against the dollar, to \$1.1708, after weakening half a percent last week.

COMMODITY MARKETS

Gold prices were steady early on Tuesday as the U.S. dollar remained largely unchanged ahead of the U.S. Federal Reserve Chairman Jerome Powell's first congressional testimony. crude prices rose from a three-month low on after more oil workers went on strike in Norway, supporting a market that has been dominated by oversupply issues in recent days.

EXPECTED INTRA-DAY RANGES FOR TODAY

EUR/USD	- A range of	1.1620-1.1790
GBP/USD	- A range of	1.3050-1.3360
AUD/USD	- A range of	0.7311-0.7506
USD/JPY	- A range of	112.00-114.70

MARKET WATCH

- UK Unemployment Rate
- US Industrial Production
- CA Manufacturing Sales

MONEY MARKET

LOCAL MARKET

Overnight call-money traded between 8.45-8.50% on Monday. Net market liquidity with the Central Bank was a surplus of Rs. 21.27 Bn on Monday from a Surplus of Rs 24.77 Bn on Friday.

U.S. TREASURIES

U.S. Treasury yields increased on Monday with the two-year yield hitting a near decade peak as domestic retail sales recorded growth for a fifth straight month in June, supporting the view of solid economic growth in the second quarter.

SPOT RATES

USD/LKR	159.65-160.15
EUR/USD	1.1708-1.1709
GBP/USD	1.3232-1.3236
USD/JPY	112.40-112.41
USD/CAD	1.3130-1.3134
AUD/USD	0.7414-0.7417
USD/SGD	1.3611-1.3614
USD/INR	68.75- 68.77
GOLD	1,240.54-1,240.80
CRUDE	68.09-68.10

LIBOR %

	USD	EUR	JPY	GBP
1M	2.07	(0.40)	(0.07)	0.56
3M	2.34	(0.36)	(0.04)	0.74
6M	2.52	(0.31)	0.01	0.84
1Y	2.79	(0.23)	0.12	1.01

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

3Months	8.37
6Months	Rejected
12Months	9.43

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

2 Year	9.65
3Year	9.90
4 Year	10.20
5 Year	10.35
6 Year	10.40
7 Year	10.40
8Year	10.50

CLIBOR % (16/07/18) 8.50

SLIBOR % (16/07/18)

Overnight	8.50
1 Week	8.75
1 Month	9.01
3Months	10.03
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 13/07	11.34
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