



HNB TREASURY COMMENTARY

FOREIGN EXCHANGE MARKET

USD/LKR

USD/LKR (spot) quoted within a range of 159.55-160.35 on Wednesday.

FOREX MARKET

The dollar held firm against the yen and other major currencies supported by bullish comments from the U.S. Federal Reserve chairman, which affirmed expectations about the central bank's possible interest rate moves this year. In closely watched congressional testimony on Tuesday and Wednesday, Fed Chairman Jerome Powell said he believed the United States was on course for years more of steady growth, and carefully played down the risks to the U.S. economy of an escalating trade conflict. After Powell's testimony, the Fed released its latest Beige Book which showed the economy was growing at a moderate to modest pace in June to early July even as manufacturers expressed concerns about the impact of tariffs.

The dollar was down 0.1 % at 112.71 yen early on Thursday after going as high as 113.14 yen in the previous session, its highest since Jan. 9. Against a basket of six major currencies, the greenback edged down 0.08 percent to 95.006 after hitting a three-week high of 95.407 on Wednesday. Sterling remained frail against the dollar and euro on Thursday, trading near multi-month lows against both units hit overnight. The U.K. currency was dragged down the previous day on weak inflation data and political turmoil related to Britain's plans to leave the European Union. Against the dollar, the pound traded at \$1.3077, after hitting a 10-month low of \$1.3010 on Wednesday. The euro was up 0.07 percent at 89.11 pence against sterling, moving back toward the four-month high of 89.31 pence it hit the previous day.

COMMODITY MARKETS

Gold prices rose slightly early Thursday, after hitting a one-year low in the previous session, as the U.S. dollar eased off a three-week high. Oil prices on Wednesday extended gains from the previous session, buoyed after official data showed that U.S. inventories of gasoline, diesel and heating oil unexpectedly fell last week. Oil markets have fallen over the last week as Saudi Arabia and other members of the Organization of the Petroleum Exporting Countries and Russia increased production and as some supply disruptions eased.

EXPECTED INTRA-DAY RANGES FOR TODAY

EUR/USD	- A range of	1.1530-1.1750
GBP/USD	- A range of	1.2780-1.3160
AUD/USD	- A range of	0.7300-0.7485
USD/JPY	- A range of	112.10-114.70

MARKET WATCH

US Jobless Claims	UK Retail Sales
AU Unemployment Rate	

MONEY MARKET

LOCAL MARKET

Overnight call-money traded between 8.45-8.50% on Wednesday. Net market liquidity with the Central Bank was a surplus of Rs. 12.25 Bn on Wednesday from a Surplus of Rs 24.88 Bn on Tuesday

U.S. TREASURIES

U.S. Treasury yields were little changed on Wednesday with the yield curve remaining near its flattest in nearly 11 years as Federal Reserve Chairman Jerome Powell stayed on message about a healthy economy before a U.S. House of Representatives committee.

SPOT RATES

USD/LKR	159.75-160.25
EUR/USD	1.1640-1.1644
GBP/USD	1.3064-1.3067
USD/JPY	112.73-112.75
USD/CAD	1.3167-1.3171
AUD/USD	0.7422-0.7427
USD/SGD	1.3664-1.3671
USD/INR	68.62- 68.63
GOLD	1,224.75-1,224.90
CRUDE	68.26-68.27

LIBOR %

	USD	EUR	JPY	GBP
1M	2.08	(0.40)	(0.06)	0.58
3M	2.34	(0.36)	(0.03)	0.76
6M	2.52	(0.32)	0.01	0.86
1Y	2.80	(0.23)	0.12	1.02

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	10.15
5 Year	10.35
6 Year	10.35
7 Year	10.40
8Year	10.50

CLIBOR % (18/07/18) 8.49

SLIBOR % (18/07/18)

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