



HNB TREASURY COMMENTARY

FOREIGN EXCHANGE MARKET

USD/LKR

USD/LKR (spot) quoted within a range of 159.70-160.50 on Thursday.

FOREX MARKET

The dollar rose against most major currencies today in thin summer trading, as investors bet global trade tensions and a robust American economy would continue to support the U.S. currency. The greenback has the upper hand over emerging market currencies in a trade war scenario, analysts said, and tariffs may actually narrow the U.S. trade deficit. The pound is weakening as investors ramp up bets that Britain will leave the European Union without an agreement with Brussels on their future relationship. In the United States, better-than-expected data on initial jobless claims and generally rising producer prices helped the dollar hold its gains. "Higher consumer prices, which are on the cards, would be supportive of both the dollar and the Federal Reserve, raising rates further this year," said Joe Manimbo, senior market analyst at Western Union Business Solutions in Washington. The dollar's gains, however, have been more pronounced against emerging market currencies because an escalation in the U.S.-China trade war would hit their export-oriented economies harder. The dollar index was up 0.4 percent at 95.454. It rose to a year-high of 95.652 on July 19 but has since struggled to break much above the 95.5 level. The New Zealand dollar slipped on Thursday after the country's central bank surprised the market by committing to holding rates at record lows until the end of 2020 as economic growth figures disappointed.

COMMODITY MARKETS

Gold prices held broadly steady early today after dipping the session before, drawing some support from global political tensions and a slightly weaker dollar against the yen. Oil prices fell today, pulled down by concerns that the escalating trade dispute between the United States and China would stall economic growth and fuel demand.

EXPECTED INTRA-DAY RANGES FOR TODAY

EUR/USD	– A range of	1.1500-1.1555
GBP/USD	– A range of	1.2800-1.2860
AUD/USD	– A range of	0.7350-0.7400
USD/JPY	– A range of	110.65-111.40

MARKET WATCH

- * China Consumer prices Jul
- * China Producer prices Jul
- * U.S. Weekly jobless claims

MONEY MARKET

LOCAL MARKET

Overnight call-money traded between 8.15-8.35% on Thursday. Net market liquidity with the Central Bank was a Surplus of Rs. 54.17 Bn on Thursday from a Surplus of Rs 58.42 Bn on Wednesday.

U.S. TREASURIES

U.S. Treasury yields declined on Wednesday as average demand at a record-setting \$18 billion 30-year bond auction supported the view investors are willing to own U.S. government debt even as its borrowing needs will grow further. The benchmark 10-year Treasury yield was down 3 basis points at 2.933 percent, while the 30-year yield was down 4 basis points at 3.079 percent.

SPOT RATES

USD/LKR	159.55-160.25
EUR/USD	1.1532-1.1533
GBP/USD	1.2831-1.2834
USD/JPY	110.93-110.94
USD/CAD	1.3048-1.3049
AUD/USD	0.7371-0.7373
USD/SGD	1.3665-1.3670
USD/INR	68.68- 68.69
GOLD	1,212.11-1,212.88
CRUDE	66.80-66.85

LIBOR %

	USD	EUR	JPY	GBP
1M	2.06	(0.40)	(0.07)	0.72
3M	2.34	(0.36)	(0.04)	0.80
6M	2.51	(0.31)	0.01	0.89
1Y	2.82	(0.23)	0.12	1.05

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

3Months	8.16
6Months	8.70
12Months	9.16

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

2 Year	9.35
3 Year	9.50
4 Year	9.80
5 Year	9.85
6 Year	9.95
7 Year	10.10
8Year	10.15

CLIBOR % (09/08/18) 8.18

SLIBOR % (09/08/18)

Overnight	8.28
1 Week	8.74
1 Month	9.04
3Months	10.22
6Months	10.76

MONEY MARKET RATES

Overnight	8.20 - 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 03/08	11.52
Week ago	11.44
Year ago	12.26

AWDR %

July 2018	8.64
June 2018	8.92
Year ago	9.19

INFLATION (%)

		YoY
June 18	(NCPI)	2.5
May 18	(NCPI)	2.1

	YoY	12M W. Av
July (CCPI)	5.4	5.6
June (CCPI)	4.4	5.6
Year ago (CCPI)	4.8	5.4