



# HNB TREASURY COMMENTARY

## FOREIGN EXCHANGE MARKET

### USD/LKR

USD/LKR (spot) quoted within a range of 160.10-160.90 on Thursday

### FOREX MARKET

The dollar was little changed against other major currencies today after pushing away from 13-1/2-month highs amid easing risk aversion and as investors awaited the next developments in the U.S.-China trade relations. The dollar index, a measure of the greenback's strength against a basket of six major peers, was steady at 96.647. It had climbed to 96.984, its highest since late June 2017 on Wednesday during a week in which a plunge by the Turkish lira to record lows and concerns over China's economic health hit emerging market currencies, driving up demand for the safe-haven greenback. The dollar lost steam, however, after China and the United States agreed on Thursday to hold a new round of trade talks on Aug. 21-22, helping stem risk aversion in the broader markets. "The 'risk on' mood generated by news of the U.S.-China trade talks is weighing on the dollar, while prompting some buy backs of the euro, which has been hit earlier this week by Turkish concerns," said Shin Kadota, senior strategist at Barclays in Tokyo. The lira plunged to a record low of 7.24 on Monday before mounting a three-day rebound, helped by factors including measures by the Turkish central bank to support its currency and Qatar's pledge to invest \$15 billion in Turkey. Sterling edged up from 14-month lows on Thursday but its gains were marginal despite strong British retail sales with the currency hamstrung by fears over Britain leaving the European Union. The Australian and New Zealand dollars got a break from selling on Thursday as the crisis engulfing Turkey's lira calmed for a moment, though the outlook was darkened anew by losses in commodities ranging from oil to gold to base metals.

### COMMODITY MARKETS

Gold prices edged higher in early trade today as dollar held steady, but the metal remained on track to post its biggest weekly decline since May 2017. Oil prices fell today, with U.S. crude heading for a seventh weekly decline amid increasing concerns about slowing global economic growth that could hit demand for petroleum products as inventories build.

### EXPECTED INTRA-DAY RANGES FOR TODAY

EUR/USD	- A range of	1.1350-1.1410
GBP/USD	- A range of	1.2680-1.2750
AUD/USD	- A range of	0.7235-0.7300
USD/JPY	- A range of	110.60-111.25

### MARKET WATCH

- \*US Building permits
- \*UK Retail Sales
- \*AU Employment data

## MONEY MARKET

### LOCAL MARKET

Overnight call-money traded between 7.80-8.15% on Thursday. Net market liquidity with the Central Bank was a Surplus of Rs. 34.91 Bn on Thursday from a Surplus of Rs 40.71 Bn on Wednesday.

### U.S. TREASURIES

U.S. Treasury yields rose on Thursday after reports of new trade talks between the United States and China boosted risk appetite and reduced demand for safe-haven bonds. Benchmark 10-year notes fell 7/32 in price to yield 2.877 percent.

## SPOT RATES

USD/LKR	160.00-160.70
EUR/USD	1.1378-1.1382
GBP/USD	1.2718-1.2722
USD/JPY	110.86-110.90
USD/CAD	1.3147-1.3150
AUD/USD	0.7266-0.7270
USD/SGD	1.3748-1.3753
USD/INR	70.15- 70.16
GOLD	1,176.76-1,176.93
CRUDE	65.42-65.45

### LIBOR %

	USD	EUR	JPY	GBP
1M	2.06	(0.40)	(0.06)	0.72
3M	2.31	(0.36)	(0.03)	0.80
6M	2.51	(0.30)	0.03	0.90
1Y	2.81	(0.22)	0.13	1.03

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

3Months	8.10
6Months	8.62
12Months	9.00

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

2 Year	9.45
3 Year	9.60
4 Year	9.95
5 Year	9.95
6 Year	10.00
7 Year	10.20
8 Year	10.20

**CLIBOR % (16/08/18)** 7.92

**SLIBOR % (16/08/18)**

Overnight	8.03
1 Week	8.68
1 Month	9.00
3Months	10.18
6Months	10.73

### MONEY MARKET RATES

Overnight	7.85 - 7.90
1 Week	7.90 - 8.10
2 Weeks	8.00- 8.40
3 Weeks	8.10- 8.50
1 Month	8.50 - 9.00

### AWPLR %

Week ending 10/08	11.41
Week ago	11.52
Year ago	11.98

### 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