



**HNB TREASURY COMMENTARY**

**FOREIGN EXCHANGE MARKET**

**USD/LKR**

USD/LKR (spot) quoted within a range of 160.30-161.10 on Monday

**FOREX MARKET**

The dollar slipped against the yen and a basket of major peers on Tuesday after U.S. President Donald Trump said he was "not thrilled" with Federal Reserve Chairman Jerome Powell for raising interest rates. The dollar was also soft as investors pulled out of the safe-haven currency ahead of anticipated talks this week between China and the United States, which some market participants believe might lead to an easing in trade disputes. "At the moment, markets fear that Trump may have some impact on the Fed's policy," said Masafumi Yamamoto, chief currency strategist at Mizuho Securities. "Especially the dollar/yen, which is sensitive to the rate moves of the United States, remains under pressure." The U.S. president spooked investors in July when he criticised the Fed over tightening monetary policy. On Monday he said the Fed should be more accommodating on interest rates. Trump also said the U.S. central bank should do more to help him to boost the economy while he also accused China and Europe of manipulating their respective currencies. Escalating trade tensions between the United States and its trading partners and a plunge in the Turkish lira had pushed the dollar index to 96.984 on Aug. 15, its highest since June 2017. Sterling steadied on Monday but was still near 14-month lows reached last week on concerns about forthcoming talks that may decide whether Britain gets a trade deal with the EU before it quits the bloc. The pound has suffered six straight weeks of losses against the dollar, its worst run since 2014, even though data such as retail sales suggest the UK economy is holding up. The Australian and New Zealand dollars traded near 1-1/2 week highs on Monday as planned Sino-U.S. trade talks spurred hopes that tensions between the giants may soon ease.

**COMMODITY MARKETS**

Gold prices rose on the back of a weaker U.S. dollar today, extending gains into a third session after U.S. president Donald Trump said he was "not thrilled" with the U.S. Federal Reserve for raising interest rates. Oil prices edged up today, supported by expectations of supply cuts once U.S. sanctions against Iran bite in November, but capped by worries a Sino-U.S. trade dispute will drag on fuel demand growth.

**EXPECTED INTRA-DAY RANGES FOR TODAY**

EUR/USD	– A range of	1.1460-1.1560
GBP/USD	– A range of	1.2775-1.2850
AUD/USD	– A range of	0.7315-0.7375
USD/JPY	– A range of	109.60-110.30

**MARKET WATCH**

- \* Germany Producer prices July
- \*Euro zone Construction output June

**MONEY MARKET**

**LOCAL MARKET**

Overnight call-money traded between 7.75 - 8.10% on Monday. Net market liquidity with the Central Bank was a Surplus of Rs. 33.51 Bn on Monday from a Surplus of Rs 38.40 Bn on Friday.

**U.S. TREASURIES**

U.S. Treasury yields fell to six-week lows on Monday as investors waited on minutes from the Federal Reserve's August meeting on Wednesday and a speech by Fed Chairman Jerome Powell on Friday. Benchmark 10-year notes gained 14/32 in price on Monday to yield 2.824 percent.

**SPOT RATES**

USD/LKR	160.25-160.95
EUR/USD	1.1510-1.1513
GBP/USD	1.2819-1.2823
USD/JPY	110.03-110.06
USD/CAD	1.3033-1.3038
AUD/USD	0.7346-0.7347
USD/SGD	1.3667-1.3675
USD/INR	69.81- 69.83
GOLD	1,192.45-1,193.95
CRUDE	66.65-66.70

**LIBOR %**

	USD	EUR	JPY	GBP
<b>1M</b>	2.06	(0.39)	(0.07)	0.71
<b>3M</b>	2.31	(0.36)	(0.03)	0.80
<b>6M</b>	2.51	(0.30)	0.02	0.89
<b>1Y</b>	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	9.55
4 Year	9.75
5 Year	9.95
6 Year	10.00
7 Year	10.10
8 Year	10.25

**CLIBOR % (20/08/18)** 7.85

**SLIBOR % (20/08/18)**

Overnight	7.93
1 Week	8.67
1 Month	9.00
3Months	10.16
6Months	10.71

**MONEY MARKET RATES**

Overnight	7.75 - 7.80
1 Week	7.95 - 8.15
2 Weeks	8.10- 8.25
3 Weeks	8.40- 8.50
1 Month	8.50 - 8.75

**AWPLR %**

Week ending 17/08	11.62
Week ago	11.41
Year ago	11.72

**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