



# HNB TREASURY COMMENTARY

## FOREX MARKET

The dollar dropped on Friday after weaker-than-expected U.S. inflation data further burdened a currency already weighed down by signs of reduced trade tensions between the United States and China. Emerging currencies such as the South African rand and the Mexican peso held to gains after surging in relief after Turkey's central bank implemented a large increase in interest rates. The dollar took a hit overnight after the U.S. consumer price index (CPI), the government's broadest inflation measure, rose just 0.2 percent in August and less than the 0.3 percent projected by analysts in a Reuters poll. The dollar also felt additional pressure as the euro gained after European Central Bank President Mario Draghi suggested on Thursday at a post-policy meeting news conference that low inflation was less of a worry. The ECB kept policy unchanged as expected on Thursday, staying on track to end its bond purchases this year and raise interest rates next autumn. The dollar's index against a basket of six major currencies stood little changed at 94.563 after slipping 0.3 percent on Thursday, when it touched 94.428, its lowest since Aug. 31. Safe-haven demand for the dollar eased this week on news that the White House had invited Chinese officials to restart trade talks. Beijing welcomed the invitation with the two countries now reported to be discussing the details. Sterling extended its earlier gains to move above \$1.31 on Thursday after a media report that Britain and the European Union had made progress on the Irish border question, a major hurdle to agreeing a Brexit deal. A report published by Bloomberg said that the UK had agreed to an EU request for information that could help end a dispute over the Irish border. The Australian dollar was heading for its best week in five months on Friday as the safe-haven flight from emerging markets calmed a little.

## COMMODITY MARKETS

Gold prices edged higher on Friday as softer-than-expected U.S. consumer prices data lowered the case for a faster pace of policy tightening by the Federal Reserve. Oil on Friday clawed back some of its losses from the previous session when prices fell the most in a month, although worries that emerging market crises and trade disputes could reduce demand continued to drag.

## EXPECTED INTRA-DAY RANGES FOR TODAY

EUR/USD	– A range of	1.1670-1.1700
GBP/USD	– A range of	1.3080-1.3140
AUD/USD	– A range of	0.7150-0.7220
USD/JPY	– A range of	111.65-112.00

## MARKET WATCH

- \* China Industrial output Aug
- \* U.S. Import prices Aug

## MONEY MARKET

### LOCAL MARKET

Overnight call-money traded between 7.95 - 8.25% on Thursday. Net market liquidity with the Central Bank was a Surplus of Rs. 16.30 Bn on Thursday from a Deficit of Rs 3.53 Bn on Wednesday.

### U.S. TREASURIES

U.S. Treasury yields retraced losses on Thursday afternoon as the market digested an earlier U.S. government report showing that consumer prices rose less than expected in August, and after solid demand for 30-year bonds at auction.

## SPOT RATES

EUR/USD	1.1693-1.1694
GBP/USD	1.3112-1.3114
USD/JPY	111.83-111.86
USD/CAD	1.2992-1.2996
AUD/USD	0.7190-0.7191
USD/SGD	1.3700-1.3703
USD/INR	72.18- 72.19
GOLD	1,204.01-1,204.78
CRUDE	68.88-68.90

### LIBOR %

	USD	EUR	JPY	GBP
1M	2.13	(0.40)	(0.08)	0.72
3M	2.33	(0.35)	(0.03)	0.80
6M	2.56	(0.31)	0.02	0.89
1Y	2.86	(0.22)	0.13	1.04

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

3Months	8.07
6Months	Not Offered
12Months	9.05

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

2 Year	9.55
3 Year	9.80
4 Year	10.05
5 Year	10.10
6 Year	10.25
7 Year	10.30
8Year	10.35

**CLIBOR % (13/09/18)** 8.01

**SLIBOR % (13/09/18)**

Overnight	7.96
1 Week	8.59
1 Month	9.00
3Months	10.00
6Months	10.63

### MONEY MARKET RATES

Overnight	7.90 - 8.00
1 Week	8.05 – 8.15
2 Weeks	8.15– 8.25
3 Weeks	8.20– 8.35
1 Month	8.50 – 9.00

### AWPLR %

Week ending 07/09	11.53
Week ago	11.67
Year ago	11.37

### AWDR %

August 2018	8.66
July 2018	8.64
Year ago	9.21

### INFLATION (%)

	YoY
July 18 (NCPI)	3.4
June 18 (NCPI)	2.5

### YoY 12M W. Av

Aug (CCPI)	5.9	5.6
July (CCPI)	5.4	5.6
Year ago (CCPI)	6.0	5.5