



# HNB TREASURY COMMENTARY

## FOREX MARKET

The dollar traded near a seven-week low against a basket of major currencies, in part as safe-haven demand for the U.S. currency diminished on relief that tariffs the United States and China imposed on each other's goods were set at lower levels than some had feared. The dollar index stood at 94.554, near its seven-week low of 94.308 touched on Tuesday as its more risk-sensitive rivals held firmer. The British pound stepped back from two-month highs on caution over whether the European Union and UK can reach a Brexit deal at their ongoing summit while the New Zealand dollar jumped to three-week highs on Thursday after strong domestic GDP data. The British currency sank to the day's low after the report said Theresa May will appeal to EU leaders at a summit in Austria to move away from the bloc's chief Brexit negotiator Michel Barnier's position. Theresa May received less than glowing praise for her Brexit plan on Wednesday, with top EU official Donald Tusk saying Britain must rework its proposals for Northern Ireland and trade. The Australian dollar, seen as a proxy for China-related trades as well as an indicator of broader risk sentiment, held at three-week highs, having gained 1.5 percent so far this week. The New Zealand dollar jumped to a three-week peak on Thursday as traders trimmed the chance of a cut in official interest rates after news the country's economy sped past all expectations in the second quarter.

## COMMODITY MARKETS

Gold prices held steady on Thursday, after rising in the previous session, as the dollar softened amid easing Sino-U.S. trade tensions and investors wait on direction from next week's U.S. Federal Reserve meeting. U.S. oil prices extended gains on Thursday amid another drawdown in U.S. crude inventories and strong local gasoline demand, while signs OPEC may not raise output to address shrinking supplies from Iran also sustained markets.

## EXPECTED INTRA-DAY RANGES FOR TODAY

EUR/USD	– A range of	1.1650-1.1705
GBP/USD	– A range of	1.3115-1.3170
AUD/USD	– A range of	0.7235-0.7290
USD/JPY	– A range of	111.90-112.55

## MARKET WATCH

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

## MONEY MARKET

### LOCAL MARKET

Overnight call-money traded between 7.95 - 8.20% on Wednesday. Net market liquidity with the Central Bank was a Deficit of Rs. 22.86 Bn on Wednesday from a Deficit of Rs 26.08 Bn on Tuesday.

### U.S. TREASURIES

The U.S. 10-year Treasury note yield hit fresh four-month highs on Wednesday, nearing its 2011 peak as the market shrugged off trade fears.

## SPOT RATES

EUR/USD	1.1678-1.1682
GBP/USD	1.3143-1.3147
USD/JPY	112.15-112.16
USD/CAD	1.2918-1.2924
AUD/USD	0.7260-0.7261
USD/SGD	1.3682-1.3690
USD/INR	72.37- 72.38
GOLD	1,205.56-1,206.33
CRUDE	71.67-71.70

### LIBOR %

	USD	EUR	JPY	GBP
<b>1M</b>	2.16	(0.40)	(0.10)	0.72
<b>3M</b>	2.33	(0.35)	(0.03)	0.80
<b>6M</b>	2.56	(0.31)	0.02	0.88
<b>1Y</b>	2.87	(0.21)	0.13	1.04

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

3Months	Rejected
6Months	Rejected
12Months	Rejected

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

2 Year	9.85
3 Year	10.40
4 Year	10.70
5 Year	10.70
6 Year	10.80
7 Year	10.90
8 Year	11.00

**CLIBOR % (19/09/18)** 8.01

**SLIBOR % (19/09/18)**

Overnight	8.01
1 Week	8.60
1 Month	9.00
3Months	10.01
6Months	10.62

### MONEY MARKET RATES

Overnight	7.90 - 8.05
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 14/09	11.79
Week ago	11.53
Year ago	11.34

### 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