

# HNB TREASURY COMMENTARY

## FOREX MARKET

The dollar struggled near two-month lows, while the yen also dropped on Friday on reduced safe haven demand amid a switch in investors' view that the Sino-U.S. trade conflict would be less damaging to global growth than initially feared. The dollar index against a basket of six major currencies stood at 93.910 after touching 93.829 overnight, its lowest since July 9. The index has fallen more than 1 percent this week, with investor flows being diverted away from the dollar to its peers such as emerging market currencies amid diminishing U.S.-China trade war concerns. The euro was also a beneficiary of the shift in currency flows. The single currency was steady after climbing 0.9 percent the previous day, when it had scaled a three-month peak of \$1.1785. "The 'risk on' mood in light of optimism towards U.S.-China trade issues has cleared the path for the euro's rise," said Masafumi Yamamoto, chief forex strategist at Mizuho Securities in Tokyo. Sterling added more than a cent to hit two-month highs on Thursday after forecast-beating UK retail sales data and amid growing optimism that Britain and the European Union are making progress at a summit of EU leaders towards a Brexit deal. Investors have pushed the pound to its highest since July this week as they grow confident that a Brexit trade deal - helping Britain avoid a disorderly exit from the EU - can be clinched in the coming months. 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 edged higher on Friday to a one-week high as the dollar weakened on receding fears of a full-blown Sino-U.S. trade war, with the yellow metal heading for its first weekly gain in four. Oil prices dropped on Friday after falling in the previous session as U.S. President Donald Trump urged OPEC to lower crude prices ahead of its meeting in Algeria this weekend.

## EXPECTED INTRA-DAY RANGES FOR TODAY

EUR/USD	- A range of	1.1755-1.1805
GBP/USD	- A range of	1.3240-1.3295
AUD/USD	- A range of	0.7260-0.7320
USD/JPY	- A range of	112.25-112.80

## MARKET WATCH

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

## MONEY MARKET

### LOCAL MARKET

Overnight call-money traded between 7.95 - 8.25% on Thursday. Net market liquidity with the Central Bank was a Deficit of Rs. 18.25 Bn on Thursday from a Deficit of Rs 22.86 Bn on Wednesday.

### U.S. TREASURIES

U.S. long-dated Treasury yields fell on Thursday, as persistent U.S.-China trade tensions and uncertainty over Brexit encouraged investors to seek the safety of government bonds.

## SPOT RATES

EUR/USD	1.1777-1.1781
GBP/USD	1.3267-1.3271
USD/JPY	112.61-112.62
USD/CAD	1.2908-1.2911
AUD/USD	0.7291-0.7293
USD/SGD	1.3642-1.3647
USD/INR	72.37- 72.38
GOLD	1,208.11-1,208.24
CRUDE	70.19-70.25

### LIBOR %

	USD	EUR	JPY	GBP
<b>1M</b>	2.18	(0.40)	(0.10)	0.72
<b>3M</b>	2.35	(0.35)	(0.03)	0.80
<b>6M</b>	2.57	(0.31)	0.02	0.89
<b>1Y</b>	2.88	(0.21)	0.13	1.06

### 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	10.55
5 Year	10.60
6 Year	10.70
7 Year	10.75
8Year	11.00

**CLIBOR % (20/09/18)** 8.02

**SLIBOR % (20/09/18)**

Overnight	8.02
1 Week	8.60
1 Month	9.00
3Months	10.00
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