



HNB TREASURY COMMENTARY

FOREX MARKET

The dollar was steady against a basket of currencies on Thursday after shocked investors drove U.S. stocks to their worst fall in nearly eight months. The dollar index a measure of its value against six major currencies fell 0.11 percent to 95.407 on Thursday, after hitting a high of 95.79 in the previous session. The safe-haven yen strengthened to 112.25 against the dollar, its highest this month, taking heart from risk aversion in the wake of warnings from the IMF over global growth and financial stability. The U.S. Federal Reserve's apparent determination to raise interest rates over the next 12 months has driven up U.S. Treasury yields, which have been further bolstered by good economic data. "We expect rising inflation to keep the Fed hiking interest rates at its current once-a-quarter pace until the middle of 2019," Capital Economics said in a note. Expectations of hawkish rate rises may have been at work on Wednesday when sellers sent the Nasdaq to close at 7044.49, its lowest level since early July. But the euro's gains are likely to be limited with markets worried about the sustainability of Italy's public finances, despite Italian Economy Minister Giovanni Tria stating that the government would do everything in its power to regain the confidence of financial markets. Sterling rose half a percent to trade above \$1.32 on Wednesday after European Union Brexit negotiator Michel Barnier signalled progress on a deal with Britain over its withdrawal from the bloc, as well as on the crucial Irish border question. The Australian and New Zealand dollars inched higher for a second session on Wednesday as U.S. bond yields eased back a little and prices for key commodity exports benefited from Chinese demand.

COMMODITY MARKETS

Gold prices inched down on Thursday as robust U.S. data potentially bolstered the chances of multiple U.S. interest rate hikes over the next year. Oil dropped on Thursday to extend big losses from the previous session as global stock markets suffered a rout, with crude prices also taking a hit from a weekly industry report showing U.S. crude inventories had risen more than expected.

EXPECTED INTRA-DAY RANGES FOR TODAY

EUR/USD	– A range of	1.1500-1.1590
GBP/USD	– A range of	1.3165-1.3265
AUD/USD	– A range of	0.7030-0.7100
USD/JPY	– A range of	111.80-112.50

MARKET WATCH

- *U.S. Consumer prices Sep
- *U.S. Weekly jobless claims

MONEY MARKET

LOCAL MARKET

Overnight call-money traded between 8.40 - 8.50% on Wednesday. Net market liquidity with the Central Bank was a Deficit of Rs. 20.04 Bn on Wednesday from a Deficit of Rs 24.97 Bn on Tuesday.

U.S. TREASURIES

U.S. Treasury yields fell late on Wednesday in a flight to quality as investors shattered up government bonds in the midst of a sharp sell-off in U.S. stocks.

SPOT RATES

EUR/USD	1.1557-1.1561
GBP/USD	1.3230-1.3231
USD/JPY	112.16-112.17
USD/CAD	1.3050-1.3051
AUD/USD	0.7075-0.7076
USD/SGD	1.3819-1.3820
USD/INR	74.21- 74.22
GOLD	1,193.40-1,193.51
CRUDE	72.17-72.20

LIBOR %

	USD	EUR	JPY	GBP
1M	2.28	(0.40)	(0.10)	0.71
3M	2.42	(0.35)	(0.07)	0.80
6M	2.62	(0.31)	0.01	0.91
1Y	2.96	(0.21)	0.13	1.08

T/BILL RATES %

(W. Av. Last Auction)

3Months	9.28
6Months	Not Offered
12Months	10.19

T/BOND RATES %

(W. Av. Market rates)

2 Year	10.25
3 Year	10.85
4 Year	11.00
5 Year	11.05
6 Year	11.10
7 Year	11.10
8Year	11.20

CLIBOR % (10/10/18) 8.44

SLIBOR % (10/10/18)

Overnight	8.45
1 Week	8.66
1 Month	9.21
3Months	10.01
6Months	10.60

MONEY MARKET RATES

Overnight	8.25 - 8.45
1 Week	8.45 – 8.50
2 Weeks	8.50– 8.75
3 Weeks	8.75– 8.90
1 Month	8.90 – 9.10

AWPLR %

Week ending 05/10	11.86
Week ago	11.74
Year ago	11.55

AWDR %

September 2018	8.69
August 2018	8.66
Year ago	9.25

INFLATION (%)

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

YoY 12M W. Av

Sep (CCPI)	4.3	5.4
Aug (CCPI)	5.9	5.6
Year ago (CCPI)	7.1	5.8