



HNB TREASURY COMMENTARY

FOREX MARKET

The U.S. dollar was on the defensive on Tuesday after weak retail sales data, with the safe-haven yen and Swiss franc benefiting from tensions between the West and Saudi Arabia and amid a standoff on Brexit talks over Britain's plan to exit the EU. The dollar, also sought during times of markets stress, struggled despite weaker equities and broader risk-off sentiment in part as U.S. data overnight suggested consumers were reluctant to spend and as U.S. bond yields paused from recent spikes. Retail sales rose a slower-than-expected 0.1 percent last month, and followed on from last week's inflation report for September which showed only modest uptick in U.S. consumer prices. Michael McCarthy, chief market Strategist in Sydney, said the Japanese yen was the biggest winner in overnight trade. "Geopolitical factors may remain the key factor behind currency markets in the short run," he said. Both currencies have attracted buyers amid tensions between the Western powers and Saudi Arabia, which has been under pressure since a prominent Saudi journalist Jamal Khashoggi, a critic of Riyadh and a U.S. resident, disappeared on Oct. 2 after visiting the Saudi consulate in Istanbul. Brexit talks and global trade tensions have added to the negative factors that hit global stocks. Sterling held near a one-week low on Monday as Brexit negotiations faltered before a crucial European Union summit later this week. Less than six months before Britain leaves the bloc negotiators from both sides are trying to overcome the biggest hurdle to a deal - how to keep the UK frontier with the Irish Republic free of border checks after Britain leaves the EU in March.

COMMODITY MARKETS

Gold prices rose early on Monday as Asian stocks eased due to concerns about a potential decline in China's economic growth amid an ongoing trade war and signs of tighter monetary policy by the U.S. Federal Reserve. Crude oil futures rose sharply on Monday as geopolitical tensions over the disappearance of a prominent Saudi journalist stoked worries about supply, although concerns about the long-term outlook for demand dragged on prices.

EXPECTED INTRA-DAY RANGES FOR TODAY

EUR/USD	- A range of	1.1560-1.1615
GBP/USD	- A range of	1.3125-1.3190
AUD/USD	- A range of	0.7110-0.7165
USD/JPY	- A range of	111.55-112.25

MARKET WATCH

- *China Consumer prices Sep
- *U.S. Industrial production Sep

MONEY MARKET

LOCAL MARKET

Overnight call-money traded between 8.45 - 8.50% on Monday. Net market liquidity with the Central Bank was a Deficit of Rs. 18.92 Bn on Monday from a Deficit of Rs 21.59 Bn on Friday.

U.S. TREASURIES

U.S. Treasury yields rose on Monday despite stock market volatility stemming from rising borrowing costs and geopolitical risks, while the outlook for U.S. economic growth was tempered by weaker-than-expected data on domestic retail sales.

SPOT RATES

EUR/USD	1.1583-1.1587
GBP/USD	1.3151-1.3153
USD/JPY	111.97-111.98
USD/CAD	1.2983-1.2984
AUD/USD	0.7135-0.7136
USD/SGD	1.3751-1.3756
USD/INR	73.82- 73.83
GOLD	1,225.91-1,226.68
CRUDE	71.94-71.95

LIBOR %

	USD	EUR	JPY	GBP
1M	2.27	(0.41)	(0.10)	0.72
3M	2.43	(0.34)	(0.09)	0.81
6M	2.65	(0.32)	0.01	0.90
1Y	2.96	(0.21)	0.12	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	11.25
3 Year	11.45
4 Year	11.65
5 Year	11.70
6 Year	11.85
7 Year	11.90
8 Year	12.00

CLIBOR % (15/10/18) 8.45

SLIBOR % (15/10/18)

Overnight	8.45
1 Week	8.69
1 Month	9.23
3Months	10.02
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 12/10	12.34
Week ago	11.86
Year ago	11.63

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