



HNB TREASURY COMMENTARY

FOREX MARKET

The dollar gained against its major peers on Tuesday, reining as the preferred safe haven currency as uncertainty over Brexit negotiations and Italy's free spending budget shocked investors away from the euro and sterling. British Prime Minister Theresa May on Monday said most of the country's deal to exit the EU has been agreed on but repeated her opposition to a EU proposal regarding the Irish border, according to excerpts from her statement to Parliament. With just over five months until Britain is scheduled to exit the EU, talks have delayed over a disagreement on the so-called Northern Irish "backstop," an insurance policy to ensure there will be no return to a hard border on the island of Ireland if a future trading relationship is not agreed upon in time. "Risk-aversion was the story overnight along with U.S. dollar strength. Euro's underperformance is also due to Brexit uncertainty," said Sim Moh Siong, currency strategist at Bank of Singapore. Investors expect further political uncertainty in Europe over Italy's spending plans. Moody's, a rating agency, downgraded the Italian credit on Friday but surprisingly kept the outlook stable. Sterling fell on Monday as fears grew that the Irish border issue and disagreements within Britain's ruling Conservatives over Brexit could see Prime Minister Theresa May face a serious leadership challenge. The pound lost ground against the dollar and the euro, at one point falling close to 1 percent to the greenback, though it later clawed back some of the losses. The Australian and New Zealand dollars were on the defensive on Tuesday as optimism over Chinese policy stimulus proved all-too fleeting and the yuan continued to give ground.

COMMODITY MARKETS

Gold prices inched up early Tuesday as Asian stocks weakened, weighed down by political tensions between Saudi Arabia and Western powers, uncertainties around Brexit and Italy's budgetary woes. Oil prices were steady on Tuesday as Saudi Arabia pledged to play a "responsible role" in energy markets, although sentiment remained nervous in the run-up to U.S. sanctions against Iran's crude exports that start next month.

EXPECTED INTRA-DAY RANGES FOR TODAY

EUR/USD	- A range of	1.1440-1.1490
GBP/USD	- A range of	1.2940-1.2995
AUD/USD	- A range of	0.7045-0.7105
USD/JPY	- A range of	112.40-113.00

MARKET WATCH

- * Germany Producer prices Sep
- * Euro zone Consumer confidence Oct

MONEY MARKET

LOCAL MARKET

Overnight call-money traded at 8.45% on Monday. Net market liquidity with the Central Bank was a Deficit of Rs. 26.99 Bn on Monday from a Deficit of Rs 11.90 Bn on Friday.

U.S. TREASURIES

Longer-dated U.S. Treasury prices edged higher on Monday as falling stocks boosted demand for low risk debt, though gains were limited as investors remained on edge with rising inflation pressures and further potential interest rate hikes by the Federal Reserve.

SPOT RATES

EUR/USD	1.1460-1.1464
GBP/USD	1.2965-1.2969
USD/JPY	112.57-112.58
USD/CAD	1.3094-1.3095
AUD/USD	0.7068-0.7069
USD/SGD	1.3806-1.3808
USD/INR	73.56- 73.57
GOLD	1,224.18-1,224.31
CRUDE	69.18-69.20

LIBOR %

	USD	EUR	JPY	GBP
1M	2.28	(0.40)	(0.10)	0.72
3M	2.47	(0.35)	(0.09)	0.80
6M	2.72	(0.32)	0.01	0.90
1Y	3.02	(0.20)	0.12	1.06

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

3Months	9.48
6Months	9.75
12Months	10.44

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

2 Year	10.55
3 Year	10.75
4 Year	11.05
5 Year	11.25
6 Year	11.35
7 Year	11.40
8Year	11.45

CLIBOR % (22/10/18) 8.45

SLIBOR % (22/10/18)

Overnight	8.46
1 Week	8.72
1 Month	9.22
3Months	10.01
6Months	10.60

MONEY MARKET RATES

Overnight	8.45 - 8.55
1 Week	8.60 - 8.80
2 Weeks	8.75- 9.00
3 Weeks	9.00- 9.20
1 Month	9.20 - 9.50

AWPLR %

Week ending 19/10	12.41
Week ago	12.34
Year ago	11.23

AWDR %

September 2018	8.69
August 2018	8.66
Year ago	9.25

INFLATION (%)

	YoY
Sep 18 (NCPI)	0.9
Aug 18 (NCPI)	2.5

YoY 12M W. Av

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