



HNB TREASURY COMMENTARY

FOREX MARKET

The dollar traded in a narrow range versus major peers on Thursday as investors took in the U.S. midterm election results, and turned their focus to the Federal Reserve's monetary tightening path. The election results were as the market expected; a split Congress with Democrats winning control of the House of Representatives and Republicans cementing their majority in the Senate. Traders initially reacted to this result by selling the dollar on Wednesday as the likelihood of further fiscal stimulus faded. However, the dollar regained most of its losses versus the euro and yen by the U.S. close as focus shifted away from politics to the Fed's monetary policy. The central bank's Federal Open Market Committee (FOMC) is due to release its latest policy decision on Thursday after of a two-day meeting. The Fed has raised rates three times this year as the U.S. economy boomed and inflation started to pick up. It has signaled a rate rise in December, with two more hikes by mid-2019. "The dollar is likely to benefit as we still expect the Fed to maintain its hawkish stance. The U.S. economy needs rising rates as wage pressures are building and there is a risk of an overheating of the economy," said Sim Moh Siong, currency strategist at Bank of Singapore. Sterling rose for a third consecutive day on Wednesday, sustained by reports suggesting Britain is preparing for a Brexit agreement by the end of November. The New Zealand dollar rallied to a three-month high on Wednesday as the country's jobless rate unexpectedly dropped to a ten-year low and trimmed the already-low chance of a rate cut, while the Australian dollar was steady before U.S. midterm election results.

COMMODITY MARKETS

Gold prices were steady in early Asian trade on Thursday, while the dollar edged higher and investors turned their attention to this week's Federal Reserve meeting for clues on future interest rate hikes. Oil prices were stable on Thursday, supported by indications from within OPEC that production curbs may become necessary again to prevent a return of global oversupply.

EXPECTED INTRA-DAY RANGES FOR TODAY

EUR/USD	– A range of	1.1405-1.1460
GBP/USD	– A range of	1.3100-1.3160
AUD/USD	– A range of	0.7245-0.7300
USD/JPY	– A range of	113.30-113.90

MARKET WATCH

- *U.S. Weekly jobless claims
- *U.S. Federal Reserve issues statement after two-day policy meeting

MONEY MARKET

LOCAL MARKET

Overnight call-money traded between 8.45% - 8.50% on Wednesday. Net market liquidity with the Central Bank was a Deficit of Rs. 70.30 Bn on Wednesday from a Deficit of Rs 74.57 Bn on Monday.

U.S. TREASURIES

The gap between short- and longer-dated U.S. Treasury yields minimized on Wednesday after the U.S. midterm elections delivered a divided Congress, leaving investors to assess the impact on government spending and borrowing in the coming year.

SPOT RATES

EUR/USD	1.1428-1.1431
GBP/USD	1.3124-1.3125
USD/JPY	113.61-113.62
USD/CAD	1.3117-1.3121
AUD/USD	0.7266-0.7267
USD/SGD	1.3723-1.3728
USD/INR	73.00- 73.01
GOLD	1,224.83-1,224.93
CRUDE	61.68-61.70

LIBOR %

	USD	EUR	JPY	GBP
1M	2.31	(0.40)	(0.10)	0.72
3M	2.59	(0.35)	(0.09)	0.84
6M	2.84	(0.32)	0.01	0.97
1Y	3.11	(0.22)	0.12	1.12

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

3Months	9.65
6Months	9.99
12Months	10.89

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

2 Year	11.25
3 Year	11.40
4 Year	11.50
5 Year	11.55
6 Year	11.65
7 Year	11.75
8 Year	11.75

CLIBOR % (07/11/18) 8.47

SLIBOR % (07/11/18)

Overnight	8.47
1 Week	8.74
1 Month	9.24
3Months	10.00
6Months	10.62

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 02/11	12.25
Week ago	12.82
Year ago	11.25

AWDR %

October 2018	8.73
September 2018	8.69
Year ago	9.22

INFLATION (%)

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

	YoY	12M W. Av
Oct (CCPI)	3.1	5.0
Sep (CCPI)	4.3	5.4
Year ago (CCPI)	7.8	6.1