



# HNB TREASURY COMMENTARY

## FOREX MARKET

The Euro and Sterling climbed higher on Wednesday as investor confidence rose on news Britain had struck a draft divorce deal with the European Union after more than a year of talks.

The surge in the euro and sterling led investors to take profits on the U.S. dollar, which retraced from a 16-month high. The dollar index, a gauge of its value versus six major peers traded at 97.03 on Wednesday, down 0.28 percent. The index hit a 16-month high of 97.69 on Monday.

The sell-off in the dollar has been due to the improved risk sentiment around a potential Brexit deal and not because of any deterioration in the fundamentals of the U.S. economy. The euro and sterling constitute around 70 percent of the weight in the dollar index. The British pound traded at \$1.3006 on Wednesday, gaining 0.25 percent as traders reduced bearish bets after Britain and the European Union agreed a preliminary text that would allow the United Kingdom to leave the EU with a deal that avoids a chaotic "hard Brexit" departure. The challenge for British Prime Minister Theresa May is now to sell this deal to the parliament, where headline Brexit supporters accused her of surrendering to the EU. The British cabinet will meet at 1400 GMT on Wednesday to consider the draft withdrawal agreement.

Riding on the positive sentiment around a potential smooth and orderly Brexit deal, the euro gained 0.14% to trade at \$1.1305 on Wednesday. The euro's gain was limited by concerns about Italy's budget proposals and downbeat German investor confidence data, traders said. The single currency lost 0.15 % versus the pound to trade at 0.8690. The Euro hit a 6-1/2 month low versus sterling of 0.8653 on Tuesday. The dollar gained 0.11% versus the yen on Wednesday to trade at 113.93. The yen touched a six-week low of 114.20 on Monday.

## COMMODITY MARKETS

Gold prices inched up on Wednesday as the U.S. dollar retreated from a 16-month high touched earlier in week, easing amid a surge in the euro and sterling on a draft Brexit agreement. Oil markets struggled to find their footing on Wednesday after plunging by 7 percent the previous session, with surging supply and the spectre of faltering demand keeping investors on edge.

## EXPECTED INTRA-DAY RANGES FOR TODAY

EUR/USD	– A range of	1.1200-1.1400
GBP/USD	– A range of	1.2670-1.3065
AUD/USD	– A range of	0.7020-0.7265
USD/JPY	– A range of	112.18-114.55

## MARKET WATCH

JP GDP	UK CPI / Retail Price Index
EU Employment Data	US CPI

## MONEY MARKET

### LOCAL MARKET

Overnight call-money traded between 8.48% - 8.50% on Tuesday. Net market liquidity with the Central Bank was a Deficit of Rs. 84.86 Bn on Tuesday from a Deficit of Rs 78.74 Bn on Monday.

### U.S. TREASURIES

U.S. Treasury yields slid to more than one-week lows on Tuesday hurt by a sharp drop in oil prices, which suggested lower inflation going forward and affirmed a gradual pace of interest rate increases by the Federal Reserve.

## SPOT RATES

EUR/USD	1.1300-1.1301
GBP/USD	1.3010-1.3011
USD/JPY	113.84-113.85
USD/CAD	1.3233-1.3237
AUD/USD	0.7217-0.7219
USD/SGD	1.3805-1.3810
USD/INR	72.61- 72.62
GOLD	1,203.29-1,203.46
CRUDE	55.17-55.18

### LIBOR %

	USD	EUR	JPY	GBP
1M	2.31	(0.41)	(0.09)	0.73
3M	2.61	(0.36)	(0.09)	0.88
6M	2.86	(0.33)	0.01	0.99
1Y	3.13	(0.22)	0.12	1.14

### 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
3Year	11.40
4 Year	11.50
5 Year	11.60
6 Year	11.65
7 Year	11.70
8Year	11.90

**CLIBOR % (13/11/18)** 8.49

**SLIBOR % (13/11/18)**

Overnight	8.50
1 Week	8.75
1 Month	9.25
3Months	10.00
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 09/11	11.95
Week ago	12.25
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