



HNB TREASURY COMMENTARY

FOREX MARKET

Investors in the British pound remained on edge in early Asian trade on Friday after the currency suffered a tumultuous slide overnight on fears the country could crash out of the European Union without a divorce deal. Both the and the yen benefited from a deepening crisis for UK Prime Minister Theresa May after the resignation of key ministers from her government imperiled her Brexit plan.

The resignations, including that of Brexit minister Dominic Raab, came hours after May had claimed backing for a draft divorce deal. The hostility from government and opposition lawmakers raised the risk that the deal would be rejected in parliament, and that Britain could leave the EU on March 29 without a safety net. That left the sterling vulnerable to further losses. It was changing hands at \$1.2788, after declining 1.7 % on Thursday, its steepest percentage decline since Oct. 11 2016. It also lost around the same value against the yen the previous day. The Euro traded marginally higher at \$1.1338. Investors were hopeful after reports out of Italy said that Italian Prime Minister Giuseppe Conte was looking to work with the EU over his government's 2019 budget, which has been rejected by Brussels. The single currency has gained over the last three trading sessions, but was up only 0.1 % versus the dollar month to date, underscoring the strains from weakening economic momentum Europe, Italian budget woes and the Brexit uncertainty. The dollar index, a gauge of its value versus six major peers, traded at 96.96, up 0.04 percent on Friday. The dollar index hit a 16-month high of 97.69 at the start of the week. Currency markets were also keeping an eye on the U.S.-Sino trade tensions as traders looked for concrete signs the economic powers were seeking to de-escalate their dispute. The safe-haven yen was well bid, changing hands at 113.46, as the Brexit turmoil drew investors toward the Japanese currency. The yen had hit a six-week low of 114.20 on Monday before reversing course. The Australian dollar traded steady at \$0.7272, having gained 0.58 percent on Thursday on the back of stronger than expected jobs data.

COMMODITY MARKETS

Oil prices were stable on Friday, supported by expected supply cuts from OPEC but held back by record U.S. production. Gold prices rose on Friday as investors sought safe haven assets amid fears of a chaotic departure for Britain from the European Union.

EXPECTED INTRA-DAY RANGES FOR TODAY

EUR/USD	- A range of	1.1200-1.1460
GBP/USD	- A range of	1.2660-1.3065
AUD/USD	- A range of	0.7020-0.7300
USD/JPY	- A range of	112.30-114.55

MARKET WATCH

NZ Business Manufacturing EU CPI
 US Industrial Production

MONEY MARKET

LOCAL MARKET

Overnight call-money traded between 8.90% - 9.00% on Thursday. Net market liquidity with the Central Bank was a Deficit of Rs.103.95 Bn on Thursday from a Deficit of Rs 82.98 Bn on Wednesday.

U.S. TREASURIES

U.S. Treasury prices drifted higher on Thursday, sending yields to two-week lows across the curve, as Britain's draft agreement to exit the European Union ran into trouble, prompting investors to seek the safety of government bonds.

SPOT RATES

EUR/USD	1.1335-1.1339
GBP/USD	1.2784-1.2788
USD/JPY	113.88-113.89
USD/CAD	1.3153-1.3155
AUD/USD	0.7271-0.7273
USD/SGD	1.3757-1.3759
USD/INR	71.98- 71.99
GOLD	1,215.06-1,215.20
CRUDE	56.67-56.68

LIBOR %

	USD	EUR	JPY	GBP
1M	2.31	(0.41)	(0.10)	0.73
3M	2.63	(0.37)	(0.11)	0.89
6M	2.86	(0.33)	0.01	1.00
1Y	3.13	(0.22)	0.12	1.17

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

3Months	10.07
6Months	Rejected
12Months	11.25

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

2 Year	11.40
3Year	11.50
4 Year	11.55
5 Year	11.70
6 Year	11.80
7 Year	12.00
8Year	12.10

CLIBOR % (15/11/18) 8.97

SLIBOR % (15/11/18)

Overnight	8.96
1 Week	9.06
1 Month	9.51
3Months	10.28
6Months	10.92

MONEY MARKET RATES

Overnight	8.95 - 9.00
1 Week	9.10 - 9.35
2 Weeks	9.25- 9.50
3 Weeks	9.40- 9.70
1 Month	9.50 - 10.00

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