



HNB TREASURY COMMENTARY

FOREX MARKET

The dollar dropped against the safe-haven yen on Thursday amid a spike in risk aversion, as equities continued their retreat on concerns about growth in the world's largest economy. The U.S. currency dropped 0.2 percent to yen, handing back some of the modest gains made overnight. Global equity markets have been shaken and the dollar fell this week after an inversion in a part of the U.S. Treasury yield curve triggered market concerns about economic growth. The spread between the two-year and five-year Treasury yields inverted this week and the two-year/10-year spread was at its flattest in more than a decade amid a sharp fall in long-term rates. A flatter curve is seen as an indicator of a slowing economy, with lower longer-dated yields suggesting that the markets see economic weakness ahead. "The dollar could remain under pressure until this month's Fed meeting as long-term Treasury yields may not be able to mount a rebound until the market sees the Fed's stance on policy and the economy," said Junichi Ishikawa, senior FX strategist at IG Securities in Tokyo. Fed policymakers are due to gather at a Dec. 18-19 meeting, at which the central bank is widely expected to raise interest rates. Focus is on how many rate hikes the Fed could for 2019. Also adding to global market fears on Thursday was the arrest in Canada of a top executive of Chinese tech giant Huawei Technologies, fanning fears of further tensions between China and the United States. Sterling curtailed early losses on Wednesday on a more positive outlook over Brexit, overcoming data showing a shock slide in Britain's services sector and suggesting the economy would barely grow in the last quarter of 2018. The Australian dollar turned tail on Wednesday as disappointing economic data further dimmed the chance of any rise in interest rates, while carnage in global share markets combined to pull bond yields to one-year lows. The Reserve Bank of Australia (RBA) has already kept rates at record lows of 1.5 percent since mid-2016 and the futures market implies only a one-in-five chance of a hike by Christmas next year.

COMMODITY MARKETS

Gold prices edged higher early on Thursday as the dollar eased amid a spike in risk aversion. Oil prices fell along with weak stock markets on Thursday, but trading was tepid ahead of a meeting by producer group OPEC that is expected to result in a supply cut aimed at draining a surplus that has pulled down crude prices by 30 percent since October.

EXPECTED INTRA-DAY RANGES FOR TODAY

EUR/USD	– A range of	1.1325-1.1375
GBP/USD	– A range of	1.2700-1.2765
AUD/USD	– A range of	0.7200-0.7295
USD/JPY	– A range of	112.55-113.40

MARKET WATCH

- * U.S. ADP national employment Nov
- * U.S. Weekly jobless claims

MONEY MARKET

LOCAL MARKET

Overnight call-money traded between 8.80% - 9.00% on Wednesday. Net market liquidity with the Central Bank was a Deficit of Rs.79.63 Bn on Wednesday from a Deficit of Rs 64.00 Bn on Tuesday.

U.S. TREASURIES

The 10-year Treasury yield fell to a three-month low of 2.885 percent on Tuesday and last stood at 2.920 percent.

SPOT RATES

EUR/USD	1.1346-1.1347
GBP/USD	1.2723-1.2725
USD/JPY	112.82-112.85
USD/CAD	1.3386-1.3390
AUD/USD	0.7230-0.7231
USD/SGD	1.3695-1.3700
USD/INR	70.46- 70.47
GOLD	1,239.71-1,239.86
CRUDE	52.62-52.65

LIBOR %

	USD	EUR	JPY	GBP
1M	2.37	(0.41)	(0.16)	0.73
3M	2.73	(0.34)	(0.11)	0.89
6M	2.89	(0.32)	0.01	1.01
1Y	3.13	(0.21)	0.10	1.15

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

3Months	Not Offered
6Months	10.01
12Months	11.20

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

2 Year	11.40
3 Year	11.75
4 Year	11.75
5 Year	11.85
6 Year	11.90
7 Year	12.00
8 Year	12.10

CLIBOR % (05/12/18) 8.95

SLIBOR % (05/12/18)

Overnight	8.99
1 Week	9.20
1 Month	9.81
3Months	10.34
6Months	10.91

MONEY MARKET RATES

Overnight	9.00- 9.25
1 Week	9.25 – 9.75
2 Weeks	9.50– 10.00
3 Weeks	9.75– 10.25
1 Month	10.00 – 10.50

AWPLR %

Week ending 30/11	12.03
Week ago	12.20
Year ago	11.43

AWDR %

November 2018	8.77
October 2018	8.73
Year ago	9.19

INFLATION (%)

		YoY
Oct 18	(NCPI)	0.1
Sep 18	(NCPI)	0.9

	YoY	12M W. Av
Nov (CCPI)	3.3	4.6
Oct (CCPI)	3.1	5.0
Year ago (CCPI)	7.6	6.4