



# HNB TREASURY COMMENTARY

## FOREX MARKET

The dollar traded lower against its key rivals in Asian trade on Friday, due to renewed speculation of an imminent pause in the Federal Reserve's tightening cycle, perhaps as soon as it delivers a widely expected rate hike later this month. Of particular concern for dollar bulls has been the recent sharp falls in U.S. treasury yields, with an inversion of the yield curve signalling a sharp economic slowdown or even a recession down the road. Investors are now watching Friday's U.S. non-farm payrolls release for November to measure wage growth and labour market strength. "We've already heard from (Fed Chairman Jerome) Powell that he thinks the neutral rate has moved quite far in quite a short period of time," said Bart Wakabayashi, Tokyo branch manager at State Street Bank. Dollar investors were given more reason to be cautious after the Wall Street Journal reported Fed officials are considering whether to signal a new wait-and-see mentality after a likely rate increase at their meeting in December. The dollar index, which measures the greenback against a basket of six major peers, was basically flat at 96.804 in early trade. The dollar has slipped after Fed Chairman Powell said last week that U.S. interest rates were nearing neutral levels, which markets interpreted as signalling a slowdown in rate hikes. The Fed is expected to raise interest rates again at its Dec. 18-19 meeting, which would be its fourth hike this year, but investors are already focusing on how much further it might raise rates and whether a pause is imminent. Sterling held above a 1-1/2 year low on Thursday as concerns on how a British Parliament vote on Prime Minister Theresa May's Brexit deal next week would unfold prompted investors to remain on the sidelines. The Australian and New Zealand dollars slipped for a third straight session on Thursday as fears of renewed Sino-U.S. trade tensions shocked stock markets.

## COMMODITY MARKETS

Gold prices rose slightly on Friday and were headed for their best week, as the dollar weakened following a decline in U.S. Treasury yields, while investors awaited U.S. nonfarm payroll data for clues about the health of the world's top economy. Oil prices fell on Friday, pulled down by OPEC's decision to delay a final decision on output cuts, awaiting support from non-OPEC heavyweight Russia.

## EXPECTED INTRA-DAY RANGES FOR TODAY

EUR/USD	– A range of	1.1350-1.1405
GBP/USD	– A range of	1.2750-1.2820
AUD/USD	– A range of	0.7200-0.7260
USD/JPY	– A range of	112.45-112.95

## MARKET WATCH

- \* Euro zone Employment Q3
- \* U.S. Unemployment rate Nov

## MONEY MARKET

### LOCAL MARKET

Overnight call-money traded between 8.80% - 9.00% on Thursday. Net market liquidity with the Central Bank was a Deficit of Rs.69.54 Bn on Thursday from a Deficit of Rs 79.63 Bn on Wednesday.

### U.S. TREASURIES

U.S. Treasury yields fell on Thursday, with 10-year yields hitting three-month lows, as traders scaled back expectations on the number of rate hikes the Federal Reserve would implement amid weakening economic data and market volatility.

## SPOT RATES

EUR/USD	1.1370-1.1374
GBP/USD	1.2773-1.2774
USD/JPY	112.70-112.72
USD/CAD	1.3394-1.3398
AUD/USD	0.7219-0.7221
USD/SGD	1.3695-1.3697
USD/INR	70.90- 70.91
GOLD	1,238.93-1,239.06
CRUDE	51.26-51.30

### LIBOR %

	USD	EUR	JPY	GBP
1M	2.38	(0.41)	(0.18)	0.73
3M	2.76	(0.34)	(0.11)	0.89
6M	2.89	(0.32)	0.01	1.02
1Y	3.12	(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	11.45
3 Year	11.65
4 Year	11.65
5 Year	11.80
6 Year	11.85
7 Year	11.95
8 Year	12.00

CLIBOR % (06/12/18) 8.90

SLIBOR % (06/12/18)

Overnight	9.00
1 Week	9.23
1 Month	9.88
3Months	10.37
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