

# HNB TREASURY COMMENTARY

## FOREX MARKET

The pound struggled near a 20-month low against the dollar on Tuesday after British Prime Minister Theresa May postponed a crucial vote on her Brexit deal. Sterling was little changed after collapsing 1.3 percent the previous day, when the currency brushed \$1.2507, its lowest since April 2017. May on Monday postponed a parliamentary vote, which was due to take place on Tuesday, on her Brexit deal to seek more concessions. The move strengthened more uncertainty as Britain now faces Brexit without a deal, a last-minute agreement or another EU referendum. The pound's slide was an advantage for the dollar, which rallied back from a 2-1/2-week low against a basket of currencies initially driven by a growing view the Federal Reserve could pause its rate hike cycle sooner than previously thought. The dollar index, a measure of the greenback's strength versus a group of six major peers, advanced 0.75 percent on Monday and was back firmly above 97.00. At one stage in overnight trade it had fallen to 96.364, its lowest since Nov. 22. "There just isn't enough demand for the yen, which is less of a safe haven, and the euro, with the political concerns in Europe. And there is of course the pound which is burdened with Brexit problems." The euro was flat after shedding 0.2 percent on Monday. The common currency did gain against the struggling pound, although concerns over violent protests in France against President Emmanuel Macron's economic reform limited its gains. The Indian rupee was jolted after Reserve Bank of India Governor, Urjit Patel, resigned abruptly on Monday after a months-long tussle over policy with the government that has raised concerns about the bank's independence. The Australian and New Zealand dollars recovered some losses on their U.S. counterpart on Monday, as speculation the Federal Reserve might almost be done hiking rates undermined the currency's yield advantage.

## COMMODITY MARKETS

Gold prices held steady early on Tuesday, supported by hopes that the U.S. Federal Reserve could pause its rate hike cycle sooner than previously thought, but a stronger dollar amid Brexit worries weighed on the precious metal. Oil prices on Tuesday clawed back some of their losses from the previous day as Libya's National Oil Company declared force majeure on exports from the El Sharara oilfield, which was seized at the weekend by a local militia group.

## EXPECTED INTRA-DAY RANGES FOR TODAY

EUR/USD	– A range of	1.1330-1.1390
GBP/USD	– A range of	1.2530-1.2600
AUD/USD	– A range of	0.7165-0.7230
USD/JPY	– A range of	112.80-113.55

## MARKET WATCH

- \*U.S. Employment trends Nov
- \*UK Industrial output Oct

## MONEY MARKET

### LOCAL MARKET

Overnight call-money traded between 8.70% - 9.00% on Monday. Net market liquidity with the Central Bank was a Deficit of Rs.69.05 Bn on Monday from a Deficit of Rs 87.58 Bn on Friday.

### U.S. TREASURIES

U.S. Treasury yields drifted higher on Monday as Wall Street stocks recovered, but trading was mostly range bound as investors digested the Brexit turmoil and its impact on other assets after Britain's Prime Minister Theresa May postponed a parliamentary vote on her deal to exit the European Union.

## SPOT RATES

EUR/USD	1.1366-1.1368
GBP/USD	1.2576-1.2577
USD/JPY	113.01-113.04
USD/CAD	1.3397-1.3401
AUD/USD	0.7197-0.7198
USD/SGD	1.3729-1.3730
USD/INR	71.33- 71.34
GOLD	1,245.14-1,245.30
CRUDE	51.18-51.20

### LIBOR %

	USD	EUR	JPY	GBP
1M	2.40	(0.41)	(0.17)	0.73
3M	2.77	(0.35)	(0.11)	0.90
6M	2.88	(0.32)	(0.01)	1.02
1Y	3.10	(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	11.55
4 Year	11.70
5 Year	11.70
6 Year	11.80
7 Year	11.90
8 Year	12.00

CLIBOR % (10/12/18) 8.92

SLIBOR % (10/12/18)

Overnight	9.00
1 Week	9.25
1 Month	9.96
3Months	10.41
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 07/12	11.81
Week ago	12.03
Year ago	11.43

### AWDR %

November 2018	8.77
October 2018	8.73
Year ago	9.19

### INFLATION (%)

	YoY	YoY	12M W. Av
Oct 18 (NCPI)	0.1		
Sep 18 (NCPI)	0.9		
Nov (CCPI)	3.3	4.6	
Oct (CCPI)	3.1	5.0	
Year ago (CCPI)	7.6	6.4	