



HNB TREASURY COMMENTARY

FOREX MARKET

The dollar held near a one-month high against its peers on Wednesday, supported by a rebound in U.S. yields and weakness of the pound due to uncertainty about Brexit. The greenback was lifted as long-term U.S. Treasury yields bounced from three-month lows. The dollar index versus a basket of six major currencies stood at 97.420 after rising overnight to 97.545, its highest since Nov. 13. "In addition to higher Treasury yields, the weakening pound is providing a key boost to the dollar," said Yukio Ishizuki, senior forex strategist at Daiwa Securities in Tokyo. Sterling took a big hit at the start of this week after British Prime Minister Theresa May delayed a parliamentary vote on her Brexit deal. The pound suffered further on Tuesday on media reports that May's parliamentary colleagues believed they had sufficient numbers to mount a no-confidence vote in her leadership. The British currency was little changed at \$1.2495 after dropping to \$1.2480 overnight, its weakest since April 2017. The currency has lost 1.8 percent this week. China's yuan was firmer in offshore trade at 6.886 to the dollar, extending gains from the previous day. The yuan firmed on Tuesday on news that Beijing and Washington were discussing the next steps in their trade talks. U.S. President Donald Trump on Tuesday told Reuters he would intervene in the Justice Department's case against a top executive at China's Huawei Technologies if it would serve national security interests or help close a trade deal with China. Against the sterling, the euro rose 0.32 percent, holding below a 3-1/2 month high of 90.875 pence set on Monday. The Australian and New Zealand dollars bounced off the canvas on Tuesday as signs U.S. and Chinese officials were still talking on trade helped soften the body blow of UK Brexit chaos.

COMMODITY MARKETS

Gold prices were steady early on Wednesday, supported by expectations of fewer rate hikes by the U.S. Federal Reserve next year, while palladium traded at a premium to gold. Oil prices climbed by more than 1 percent on Wednesday, lifted by expectations that an OPEC-led supply cut announced last week for 2019 would stabilise markets as well as hopes that long-running Sino-American trade tensions could ease.

EXPECTED INTRA-DAY RANGES FOR TODAY

EUR/USD	– A range of	1.1295-1.1355
GBP/USD	– A range of	1.2465-1.2535
AUD/USD	– A range of	0.7175-0.7250
USD/JPY	– A range of	113.10-113.70

MARKET WATCH

- * Euro zone Industrial production Oct
- * U.S. Consumer prices Nov

MONEY MARKET

LOCAL MARKET

Overnight call-money traded between 8.80% - 9.00% on Tuesday. Net market liquidity with the Central Bank was a Deficit of Rs.65.58 Bn on Tuesday from a Deficit of Rs 69.05 Bn on Monday.

U.S. TREASURIES

U.S. Treasury yields rose on Tuesday, as equities bounced amid positive developments in trade negotiations between the United States and China.

SPOT RATES

EUR/USD	1.1326-1.1329
GBP/USD	1.2511-1.2512
USD/JPY	113.44-113.46
USD/CAD	1.3371-1.3372
AUD/USD	0.7225-0.7227
USD/SGD	1.3725-1.3730
USD/INR	71.87- 71.90
GOLD	1,245.31-1,246.11
CRUDE	52.14-52.20

LIBOR %

	USD	EUR	JPY	GBP
1M	2.42	(0.41)	(0.17)	0.73
3M	2.77	(0.35)	(0.10)	0.90
6M	2.87	(0.32)	(0.01)	1.02
1Y	3.08	(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	11.80
5 Year	11.85
6 Year	12.00
7 Year	12.00
8Year	12.05

CLIBOR % (11/12/18) 8.92

SLIBOR % (11/12/18)

Overnight	9.00
1 Week	9.25
1 Month	9.98
3Months	10.43
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
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