

TREASURY COMMENTARY – 15 SEPTEMBER 2021LOCAL MARKET**MONEY**

Overnight call-money traded in the range of 5.90 % - 6.00 % on Tuesday (14.09.2021). Net market liquidity with the Central Bank was a deficit of Rs 175.45 Bn on Tuesday from a deficit of Rs.158.21 Bn on Monday (13.09.2021).

USD/LKR MARKET VOLUMES

VOLUME (USD Mn)
AS AT 14.09.2021

MARKET LEVELS (Indicative Levels)

198.00 / 203.00

Cash	-
Tom	-
Spot	-
Forwards	6.00

INTERNATIONAL MARKET**FOREX**

The dollar drifted against major peers in Asian trade on Wednesday after softer-than-expected U.S. inflation raised doubts about a taper of Federal Reserve stimulus this year.

The dollar index stood at 92.632, little changed from Tuesday, when it dropped following the inflation data only to recover on haven demand as stocks slid on Wall Street.

The index has meandered between 92.3 and 92.9 over the past week as several Fed officials have suggested the U.S. central bank could reduce its buying of debt securities by the end of the year, even after a much-weaker-than-expected payrolls report at the start of the month.

Overnight data showed that the U.S. consumer price index, excluding the volatile food and energy components, edged up just 0.1% last month, while elevated inflation kept pressure on policymakers.

The Fed is expecting to hold a two-day monetary policy meeting next week, with investors keen to find out whether a tapering announcement will be made.

The dollar slipped slightly to 109.595 yen, keeping close to the centre of the trading range of the past two months.

The U.S. currency edged higher against its antipodean rivals though adding 0.1% to 0.7316 per Aussie and rising about the same margin to \$0.7088 to New Zealand's kiwi.

COMMODITIES

Gold prices held above the key psychological level of \$1,800 as the dollar and bond yields came under pressure after a tamer-than-expected rise in U.S. inflation led to uncertainty on when the U.S. central bank will begin tapering its asset purchases. Oil prices climbed on Wednesday after industry data showed a larger than expected drawdown in crude oil stocks in the United States, the world's largest oil consumer, and on expectations that demand will recover as vaccine roll-outs widen.

ECONOMIC INDICATORS

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

3 Months	6.01
6 Months	Rejected
12 Months	6.05

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

2 Year	6.55
3 Year	7.95
4 Year	8.35
5 Year	8.95
6 Year	9.15
7 Year	9.40
8 Year	9.75

LIBOR

	USD	EUR	JPY	GBP
1 Month	0.08	(0.57)	(0.07)	0.04
3 Months	0.11	(0.56)	(0.09)	0.06
6 Months	0.14	(0.53)	(0.06)	0.10
12 Months	0.22	(0.49)	0.06	0.24

AWPLR %

Week ending 10/09	6.28
Week ago	6.01
Year ago	6.65

AWDR %

August 2021	4.75
July 2021	4.77
Year ago	6.74

INFLATION (%)

	June 2021	July 2021	August 2021	Year ago
NCPI (YoY)	6.1	6.8	-	6.1
CCPI(YoY)	5.2	5.7	6.0	4.1
(12MW.Av)	4.1	4.2	4.3	4.8

TREASURY DIVISION

Level-11

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