

# Treasury Weekly



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## Currency Outlook

### USDBDT Exchange Rate

Trade deficit of the country more than doubled in the first five months of the current fiscal year as higher import-payment pressure on the economy caused account imbalance. The deficit widened by 148.31 % or USD7.48 bio to USD12.53 bio during the Jul-Nov of the FY 2021-22. The overall import cost stood at USD31.17 bio in the Jul-Nov period of FY '22 against USD20.24 bio in the same period a year earlier while export earnings rose at a slower pace to USD18.64 bio from USD15.19 bio. However, Bangladesh has broken the monthly exports record once again, shipping goods worth over USD4.9 bio in December as the country's economic recovery continued to gather pace after a pandemic-induced slump. Exports grew 48.27 % year on year last month, exceeding the target by 25.45 %

Bangladesh sent 6,17,209 workers overseas and received a record USD 22.07 billion in remittance in 2021 amid the Covid-19 pandemic. Considering the recent dwindling remittance inflow situation the government has enhanced the rate of incentives for remittance senders to 2.5 % from 2.0 %. The new rate is effective from Saturday, a new year gift for the remitters from the Prime Minister, says a finance ministry statement.

Bangladesh Bank is continuing to sell USD in the interbank market. The central bank injected USD 641 million in Sep'21, USD 518 million in October, USD 568 million in November, and USD 450 million between December 1 and December 30. In the interbank market, USD/BDT is being traded at 85.80 in the spot market and up to USD/BDT 87.05 in the forward market.

**Outlook:** USDBDT rate is expected to maintain uptrend albeit at a gradual pace considering initiatives taken to improve remittance and export flows and continual import payments.

### Global Currencies

**EURUSD 0.44% weekly change** ↑

EUR/USD has declined below 1.1300 in the first trading day of 2022 amid renewed dollar strength. Near-term technical outlook suggests that the pair could extend its slide. 1.1240 aligns as the next strong support on the downside.

**GBPUSD 1.05% weekly change** ↑

GBP/USD On the defensive below 1.3500 as Brexit, covid woes escalate. Static support at 1.3460 could be witnessed before 1.3440 and On the upside, 1.3550 aligns as first resistance ahead of 1.3600.

**AUDUSD 0.55% weekly change** ↑

AUD/USD is trading close to 0.7200. keeping its recovery mode intact on the upbeat Chinese Caixin Manufacturing PMI. The price is holding above critical support near 0.7180.

**USDJPY 0.59% weekly change** ↑

USD/JPY is sitting at the highest levels since January 2017, fast-approaching the 116.00 mark, as the US dollar sees a renewed buying interest across the board following the recent strength in the Treasury yields. Bears now awaiting a sustained break below the key 115.00 psychological mark.

**USDCNY -0.24% weekly change** ↓

China's yuan eased against the dollar on its first trading day of 2022, after posting full-year gains for two straight years, with investors worried that a shrinking yield gap between the world's two largest economies could trigger capital outflows. the People's Bank of China (PBOC) set the midpoint rate CNY at a two-week low of 6.3794 per dollar, weaker than the previous fix 6.3757.

## Money Market and Interest Rate

### Money Market

Money market was adequately liquid last week. Avg. daily call money transaction has decreased by 10.75% to BDT 55.94 bio and the weighted average rate has increased to 2.78% an increase of 9 bps compared to last week. Interbank avg. repo volume has increased by 7.00% and the weighted avg. rate has increased by 53 bps to 2.51%. Interbank avg. SND volume has increased by 58.13% to 2.50 bio and wt. avg. rate has increased by 51 bps to 3.28%. Interbank avg. term volume has increased by 44.56% to 1.05 bio and wt. avg. rate has increased by 60 bps to 5.15%. **Auction:** 15Y & 20Y T-bond auction took place last week and yield decreased by 17bps to 7.80% and 10 bps to 7.99% respectively. 91D & 182 T-bill auction took place this week and yield increased by 12 bps to 2.49% and 1 bps to 3.25% respectively. 2Y T-bond auction took place today and yield increased by 2 bps to 4.81%.

**Outlook:** As the scheduled new auctions and BGTB maturity is almost similar, market is likely to be liquid till the end of this month.

### Interest Rate

Inflation grew by 28% MOM in November and reached 5.98%, whereas it was 5.70% in October 21. Both food and non-food items contributed to this rise; food inflation rose to 5.43% (+21bps MoM) while non-food inflation stood at 6.87% (+39bps MoM). In analysts' this surge in inflation is partly in tune with global market and largely for lax local controls. Economic activities are reviving strongly from pandemic-induced stresses. The private sector credit growth came back to pre-pandemic level in November, 10.11% growth, according to data from Bangladesh Bank. Though the growth is still far below the monetary target of 14.8% set for the current fiscal year, this growth is highest in the last two years. The credit growth was 10.7% in September 2019, and since then it remained depressed, coming down below 10% amid lending rate cap pressure and rising pandemic tension. Revenue collection grew 11 per cent year-on-year in November. Total BDT 211.04 bn was collected in November 2021, up from BDT 190.64bn in the same month a year ago, according to data from the National Board of Revenue (NBR). With November's receipts, total tax collection by the NBR stood at BDT 1005.73bn since July, the first month of fiscal year 2021-22, registering a 15 per cent year-on-year growth during the period. The amount was 81 per cent of the NBR's collection target for the period and 30 per cent of the whole year's revenue collection goal of BDT 3.3tn.

**Outlook:** Interest rate is expected to remain upward due to inflationary pressure triggered by higher global commodity and energy prices and exchange rate pressure.

### Capital Market

- BSEC has made a move to compel DSE and CSE to achieve demutualization objectives. BSEC issued a letter on Sunday asking the stock exchanges to report about their initiatives taken for achieving those objectives as per their demutualisation schemes issued in 2013
- Capital market passed yet another eventful year with a 25 % return in the core index of the main bourse. DSE witnessed the second highest-ever turnover worth above BDT 3.54 trillion, posted in 240 trading sessions. DSE market capitalisation to GDP ratio stood at 18.01 %, while the market P/E (price earnings) stood at 17.58 at the end of 2021
- BDT 50-billion government Sukuk was oversubscribed to BDT 233.04 billion in its auction. A total of 31 institutions along with three individuals took part in the auction of the Bangladesh Government Investment Sukuk (BGIS)

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## Market Synopsis

### Treasury Bill & Bond Yields

Latest Issue Date	Tenor	Latest Yield	Previous Yield
03-Nov-21	7 days (BB Bill)	1.95%	1.95%
10-Nov-21	14 Days (BB Bill)	2.46%	2.45%
18-Nov-21	30 Days (BB Bill)	2.65%	2.44%
03-Jan-22	91 Days	2.49%	2.37%
03-Jan-22	182 Days	3.25%	3.24%
27-Dec-21	364 Days	3.47%	3.49%
05-Jan-22	2 Years	4.81%	4.79%
15-Dec-21	5 Years	6.55%	6.50%
22-Dec-21	10 Years	7.42%	7.44%
29-Dec-21	15 Years	7.80%	7.97%
29-Dec-21	20 Years	7.89%	7.99%

### Capital Market

Index	Value	Weekly %
DSEX	6892.99	3.39%
FTSE 100	7,478.38	1.42%
Nikkei 225	29,301.79	1.80%
Dow Jones IA	36,585.06	1.76%
S&P 500	4,796.26	1.50%

### USD LIBOR

Index	Value	Weekly %	Tenor	LIBOR
DSEX	6892.99	3.39%	1M	0.10125
FTSE 100	7,478.38	1.42%	2M	0.1525
Nikkei 225	29,301.79	1.80%	3M	0.20913
Dow Jones IA	36,585.06	1.76%	6M	0.33875
S&P 500	4,796.26	1.50%	1Y	0.58313

### Commodities

Commodity (unit)	Latest Price	Weekly Change
Brent Crude Oil (BBL)	77.78	2.15%
Gold (OZS)	1,828.39	1.12%
ICE-US Cotton (LBS)	112.60	3.19%
Soybean (BSH)	1,328.75	-0.24%
Wheat (BSH)	770.75	-5.40%
Sugar (LBS)	18.88	-1.87%
Palm Oil (Tonne)	1,238.75	1.43%
Steel (Tonne)	1,435.00	-11.20%

### USD SOFR

Commodity (unit)	Latest Price	Weekly Change	Tenor	SOFR
Brent Crude Oil (BBL)	77.78	2.15%	Overnight	0.05
Gold (OZS)	1,828.39	1.12%	1M	0.05573
ICE-US Cotton (LBS)	112.60	3.19%	3M	0.0911
Soybean (BSH)	1,328.75	-0.24%	6M	0.19336
Wheat (BSH)	770.75	-5.40%	1Y	0.39773
Sugar (LBS)	18.88	-1.87%	Source	Reuters , CME Term SOFR Reference Rates
Palm Oil (Tonne)	1,238.75	1.43%		
Steel (Tonne)	1,435.00	-11.20%		

### Released Economic Data (South Asia & China)

Indicator	India	Pakistan	China	Bangladesh
CPI (YoY)	4.91%	12.3%	2.30%	5.98%
GDP Annual Growth Rate	8.40%	3.94%	4.90%	5.47%
Policy Repo Rate	4.00%	9.75%	3.80%	4.75%
Government Bond 10Y	6.517%	11.537%	2.793%	7.42%

### Released Economic Data (G8 Countries)

Indicator	USA	UK	Eurozone	Japan
CPI (YoY)	6.80%	5.10%	4.90%	0.60%
GDP Growth Rate	2.30%	1.10%	2.20%	-0.90%
Unemployment Rate	4.20%	4.20%	7.30%	2.80%
Base Rate	0.25%	0.25%	0.00%	-0.10%
Government Bond 10Y	1.6281%	1.052%	0.31%	0.088%

\*10-Year Eurozone Central Government Bond Par Yield Curve

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