

Currency Outlook

USDBDT Exchange Rate

The country's export earnings in CY2020 fell by 14.57% YoY from USD 39.33 bio to USD 33.60 bio due to lower demand of RMG products amid the pandemic. Moreover, export earnings in H1'FY2021 fell by 0.36% YoY to USD 19.23 bio, whereas in December 2020 alone, exports fell by 6.11% YoY to USD 3.31 bio. Remittance hit an all-time high of USD 21.74 bio in CY2020, growing by 18.59% as migrant workers used formal channels sidestepping the hundi system to send money, and the monthly inflows exceeded USD 2 bio mark for the fourth straight month in December 2020.

Overall imports declined by 8.84% YoY to USD 20.24 bio during Jul-Nov of FY2021. On the other hand, the country's FX reserves came down to USD 42.13 bio within a week after exceeding the USD 43 bio mark for the first time, as import payments amounting to USD 1.27 bio were made through the ACU.

Interbank market is still quite liquid with transactions taking place in the range of USD/BDT 84.80 to 84.81. From June 01, 2020 till date banks have sold USD 5.768 bio to BB, injecting BDT funds of 48,915.67 cr. (BAFEDA).

Outlook: The exchange rate is expected to remain stable for now with no upward impetus due to declining import growth in the backdrop of sufficient remittance flows.

Global Currencies

EURUSD 0.03% weekly change ↑

EUR/USD pair was up by 0.03% last week, closing at 1.2218. Bulls pushed the pair as high as 1.2349 during the week, but failed to secure a strong close during the last 2 trading day. Support and resistance is at 1.2170 and 1.2300.

GBPUSD 0.74% weekly change ↓

Sterling lost 0.74% last week and closed at 1.3554. GBP bulls have faced extreme resistance above the 1.3650 level and closed lower during the week.. Support and resistance is at 1.3400 and 1.3680 respectively.

AUDUSD 0.86% weekly change ↑

AUD/USD closed at 0.7766, up by 0.86% during the week. The pair continued to go up after smashing through the LT resistance at 0.7400 during the 2nd week of December, but the uptrend is now under pressure from bears. Support and resistance is at 0.7600 and 0.7800.

USDJPY 0.68% weekly change ↑

The pair was up by 0.68% during the week, closing at 103.95. The pair is likely to maintain the downtrend going forward. Support and resistance is at 102.00 and 104.00 respectively.

USDCNY 0.78% weekly change ↓

The pair lost 0.78% during the last week and closed at 6.4750. The pair has been on a strong downtrend since May and the trend is likely to continue. Support and resistance is at 6.5000 and 6.5500 respectively.

Money Market and Interest Rate

Money Market

Call money market remains highly liquid. However, the weighted average call rate increased by 32 bps from 1.86% to 2.18%. Average daily interbank repo volume decreased by 48% from BDT 35 bio to 18 bio and average interbank repo rate remained around the same level of 0.75%. Apart from this, BDT 7.63 bio has been injected from USD sell to Bangladesh Bank last week.

Treasury Auction: Auction for 2Y T-Bond held last week for BDT 10 bio. Yield decreased by 57 bps and there was no devolvement on BB. Auction for 91D and 364D T-bill for BDT 8.0 & 6.0 bio respectively was held today. Yields decreased by 8 bps and 37 bps respectively.

Outlook: Due lack of investment option, low ADP implementation, low credit growth and smaller auction volume compared to concurrent maturity volume money market is expected to remain liquid till the end of this month.

Interest Rate

Net government borrowing against NSC sales reached 95.22% of the budgetary target of BDT 200.00 bio during Jul-Nov of FY2021 amid falling deposit rates in the banking system. Moreover, net sale of NSCs were 270% higher compared to the same period of FY2020. Given the existing trend, the NSCs sales volume may exceed BDT 400.00 bio, according to a BB official. In addition, the government's net borrowing from the country's banking system is expected to be negative in January, as a move is underway to repay BDT 40 mio from the surplus, according to MOF officials. As per the auction calendar, the government may take up to BDT 104 bio as gross borrowing from the banking system this month by issuing T-bills and bonds against the maturity of BDT 104.04 bio. This is because government was awash with around BDT 148 bio in excess funds in its accounts as on Dec 29 due to slower ADP implementation (18% in 5 months of FY2021) and issuance of Sukuk bond. Tax revenue collection also grew by 2.10% in H1'FY2021. However, the surplus in government's accounts is expected to decrease after making a payment of BDT 67.86 bio for the procurement of coronavirus vaccines and other medical expenses. Meanwhile, the government's cumulative net bank borrowing stood at only BDT 20.22 bio until Dec 29 after adjustment of payback of BDT 286.41 bio to the central bank, according to a BB confidential report.

In addition, banks are flooded with excess liquidity of 1.95 trio as of Nov 2020, while deposit growth reached a record high of 13% to BDT 12.5 trio in Oct 2020.

Outlook: Interest rate is expected to maintain downward trend.

Capital Market

- S. S. Steel will invest BDT 2.0 bio to acquire approximately 75% shares of Southeast Union Ceramic Industries, a JV of China and Bangladesh.
- Bangladesh Securities and Exchange Commission will create a Capital Market Stabilization Fund worth more than BDT 210.00 bio with unclaimed dividends of listed companies through issuing a notification.

Market Synopsis

Treasury Bill & Bond Yields

Latest Issue Date	Tenor	Latest Yield	Previous Yield
10-Jan-21	91 Days	0.49%	0.57%
03-Jan-21	182 Days	0.97%	1.23%
10-Jan-21	364 Days	1.50%	1.87%
06-Jan-21	2 Years	3.14%	3.71%
08-Dec-20	5 Years	4.64%	5.01%
15-Dec-20	10 Years	5.81%	5.92%
23-Dec-20	15 Years	6.82%	7.00%
23-Dec-20	20 Years	7.06%	7.18%

USD LIBOR

1M	2M	3M	6M	1Y
0.1264	0.1658	0.2244	0.2465	0.3296

Capital Market

Index	Value	Weekly Change
DSEX	5,621.77	4.07%
FTSE 100	6,873.26	6.39%
Nikkei 225	28,139.03	2.53%
Dow Jones IA	31,097.97	1.61%
S&P 500	3,824.68	1.83%

Commodities

Commodity (unit)	Latest Price	Weekly Change
Brent Crude Oil (BBL)	55.99	8.09%
Gold (OZS)	1,848.31	-2.82%
ICE-US Cotton (LBS)	79.77	2.11%
Soybean (BSH)	1,375.75	4.60%
Wheat (BSH)	638.75	-0.27%
Sugar (LBS)	15.60	0.71%
Palm Oil (Tonne)	991.25	2.35%
Steel (Tonne)	1,070.00	6.47%

Released Economic Data (South Asia & China)

Indicator	India	Pakistan	China	Bangladesh
CPI (YoY) (% change)	6.93%	8.00%	-0.50%	5.52%
GDP Annual Growth Rate	-7.50%	1.91%	4.90%	5.24%
Policy Repo Rate	4.00%	7.00%	3.85%	4.75%
Government Bond 10Y	5.89%	9.93%	3.20%	5.81%

Released Economic Data (G8 Countries)

Indicator	USA	UK	Eurozone	Japan
CPI (YoY)	1.20%	0.30%	-0.30%	-0.90%
GDP Growth Rate	33.10%	15.50%	12.60%	5.00%
Unemployment Rate	6.70%	4.90%	8.30%	2.90%
Base Rate	0.25%	0.10%	0.00%	-0.10%
Government Bond 10Y	1.12%	0.29%	-0.20%	0.05%

*10-Year Eurozone Central Government Bond Par Yield Curve

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