

# Treasury Weekly



Issue # 02-2022 | Date: 10 Jan 2022

## Currency Outlook

### USDBDT Exchange Rate

FX reserve has come under pressure again due to swelling import expenses and routine payments to the Asian Clearing Union. After making ACU payment for the period of Nov-Dec 2021, reserves came down to USD 44.33 billion on 5<sup>th</sup> Jan 2022 from USD 46.29 bio the previous day. The forex reserve has been maintaining a falling trend in the last couple of months following higher import payment obligations along with lower flow of inward remittances. Bangladesh's actual import in terms of settlement of letters of credit jumped by 53.74% to USD 30.32 bio during the July-November period of the current fiscal year (FY), 2021-22. Import orders, rose by more than 53 per cent to USD 35.43 billion during the period under review. Higher prices of essential commodities, including petroleum products, in the global market have pushed up the country's import payments during the period. Imports from the ACU member countries, particularly from India, increased by nearly 19% to USD 1.93 bio in the last two months of 2021.

Exports are making a comeback. The country's apparel exports to its single largest destination (USA) stood at USD 6.36 bio during Jan-Nov 2021. The earnings were 30.68% or USD1.49 bio higher compared to corresponding period of 2020. Gradual economic recovery aided by the Covid-19 vaccination coverage, better control over coronavirus infection and a shift of orders from China due to the trade war between US and China have contributed to the double digit growth. BB has extended the tenure of its supports as the country takes more time for economic turnaround.

**Outlook:** USDBDT rate is expected to maintain uptrend albeit at a gradual pace considering initiatives taken to improve remittance and export flows in the backdrop of continually rising import payments.

### Global Currencies

#### EURUSD -0.09% weekly change ▼

EUR/USD steady around 1.1350s after a mixed US Nonfarm Payrolls report. EUR/USD's near-term technical picture shows that the pair is struggling to find direction. The first target on the downside aligns at 1.1270 ahead of 1.1240.

#### GBPUSD 0.44% weekly change ▲

The renewed dollar weakness after the mixed December Nonfarm Payrolls report is helping GBP/USD push higher ahead of the weekend. 1.3500 aligns as key support, a break below that level could open the for additional losses toward 1.3450.

#### AUDUSD -1.10% weekly change ▼

Further decline below 0.7100 remains on the cards. AUD/USD attracted fresh sellers on Friday and dropped to over a two-week low. The dollar weakened broadly despite the jobs report spurring upside in yields on Fed tightening expectations.

#### USDJPY 0.41% weekly change ▲

USD/JPY struggles at 116.00 after mixed US NFP report amid higher US T-bond yields. The greenback ignores rising US Treasury yields, with the 10-year hitting 1.785%. USD/JPY Technically remained downward biased, unless it reclaims the 116.00 figure.

#### USDCNY 0.39% weekly change ▲

USD/CNY remains suppressed; China may ease developers' debt rules. The pair closed at 6.3770, just below the critical support near 6.3830 and might spur capitulation of long-USD bets cued by FOMC minutes.

## Money Market and Interest Rate

### Money Market

Money market was adequately liquid last week. Avg. daily call money transaction has decreased by 9.23% to BDT 50.77 bio and the weighted average rate has increased to 2.85% an increase of 7 bps compared to last week. Interbank avg. repo volume has decreased by 51.65% and the weighted avg. rate has decreased by 81 bps to 1.71%. Interbank avg. SND volume has decreased by 22.28% to 1.94 bio and wt. avg. rate has decreased by 54 bps to 2.74%. Interbank avg. term volume has decreased by 40.26% to 0.62 bio and wt. avg. rate has increased by 31 bps to 5.47%.

**Auction:** 91D & 364D T-bill auction took place today and yield decreased by 11 bps to 2.38% and 02 bps to 3.45% respectively.

**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

Though average inflation for 2021 was 5.54% which was 15 bps lower than 2020, Inflation soar 14.36% YoY and reached to 6.05% in Dec'21 amid spiraling price of food and other essentials. Inflation target for just concluded fiscal year was 5.00%. Food prices rose 5.46% and nonfood item 7%.

Weighted average interest rate spread of banks has inched up by 2 bps in November 2021 because of declined weighted average deposit rate. Spread reached to 3.16% from 3.14%. Weighted average lending rate remained same which is 7.45%. Stringent rules for NSC investment and downward trend of stock market, and at the same time, attractive deposit interest rates pushed investors to park their fund in banking channel. However, banks has to offer deposit rate tagged with inflation rate for its retail customer to remain within BB guild line.

Revenue collection showed 14.21% positive growth YOY in Jul-Dec period of 2021. NBR could collect BDT 1.26 trio in mentioned period which is 38.25% of entire year's target. So, NBR has to collect rest 61.75% of its target by next six months. So, there might be a gap from full year target and achievement, this increasing trend of revenue collection will surely give more comfort to the government in financing budget deficit.

**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 is planning to set interest rate cap for margin loan up to 12% which is 3% spread over the merchant bank's cost of fund. Currently, average investors pays 15%-20% or even more to the brokerage house.
- BSEC has sent an urge to NBR by recommending tax exemption facility for all investors in all type of bonds for mobilizing long term fund from capital market for industrialization purpose and making bond market attractive to both issuers and investors.
- Two sponsor directors, and one corporate director of the Pacific Denims Ltd — a concern of the Pacific Group — have expressed their intention to sell a small portion from their holding shares. As per disclosure by the company on Thursday, Shafiqul Azam and Shadequul Alam, the sponsor directors, will sell 8.5 lakh and 5.4 lakh shares respectively, and the Corporate Director Dirusy Properties Ltd will sell 1.6 lakh shares.

For further information please contact:

Treasury & Financial Institutions, BRAC Bank Limited

Phone: +88028801255-60

E-mail: dealing.room@bracbank.com

Bloomberg: BRAC; REUTERS: BRAC; SWIFT: BRAKBDH

## 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%
10-Jan-22	91 Days	2.38%	2.49%
03-Jan-22	182 Days	3.25%	3.24%
10-Jan-21	364 Days	3.45%	3.47%
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 %	USD LIBOR	
			Tenor	LIBOR
DSEX	6,932.61	0.57%	1M	0.10529
FTSE 100	7,485.28	0.09%	2M	0.00000
Nikkei 225	28,478.56	-2.81%	3M	0.23614
Dow Jones IA	36,231.66	-0.97%	6M	0.37643
S&P 500	4,677.03	-2.49%	1Y	0.66171

### Commodities

Commodity (unit)	Latest Price	Weekly Change	USD SOFR	
			Tenor	SOFR
Brent Crude Oil (BBL)	81.75	5.10%	Overnight	0.05
Gold (OZS)	1,795.63	-1.79%	1M	0.05573
ICE-US Cotton (LBS)	115.12	2.24%	3M	0.0911
Soybean (BSH)	1,401.50	5.48%	6M	0.19336
Wheat (BSH)	758.50	-1.59%	1Y	0.39773
Sugar (LBS)	18.05	-4.40%	Source	Reuters , CME Term SOFR Reference Rates
Palm Oil (Tonne)	1,266.50	2.24%		
Steel (Tonne)	1,415.00	-1.39%		

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

Indicator	India	Pakistan	China	Bangladesh
CPI (YoY)	4.91%	12.30%	2.30%	6.05%
GDP Annual Growth Rate	8.40%	3.94%	4.90%	5.47%
Policy Repo Rate	4.00%	8.75%	3.80%	4.75%
Government Bond 10Y	6.54%	11.54%	2.82%	7.42%

### Released Economic Data (G8 Countries)

Indicator	USA	UK	Eurozone	Japan
CPI (YoY)	6.80%	5.10%	5.00%	0.60%
GDP Growth Rate	2.10%	1.10%	2.20%	-0.90%
Unemployment Rate	3.90%	4.20%	7.30%	2.80%
Base Rate	0.25%	0.25%	0.00%	-0.10%
Government Bond 10Y	1.77%	1.17%	0.34%	0.14%

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

### Disclaimer

This report is prepared by Treasury & FI Division, BRAC Bank Ltd. and to be used for information purposes only. It is not, under any circumstances, to be used or considered as an offer to sell, or a solicitation of any offer to buy. Reasonable care has been taken to ensure that the information is not untrue and misleading. BRAC Bank Ltd makes no representation or warranty as to the accuracy or completeness of such information. All opinions and estimates included in this report constitute our judgment as of this date and are subject to change without notice.