

# Treasury Weekly



Issue # 03-2021 | Date: 17 Jan 2021

## Currency Outlook

### USDBDT Exchange Rate

Bangladesh Bank is continuing its purchase of USD from the interbank market to help banks with excess USD funds. In the first two weeks of Jan 2021, the central bank has already purchased USD 375 mio from banks. In the interbank market transactions are taking place at USD/BDT 84.80- 84.8010.

Remittance is expected to maintain sturdy flows in the coming months. It is expected that in the advanced stages of COVID-19 vaccine development as global economies open up, export in readymade garments and remittance inflows are likely to bounce back in the near term as expatriate workers started to join their work. Streaming remittances will help increase domestic demand, which will pave the way for attaining the economic growth target of 7.4% . Global trade is expected to grow by 8.3% this year.

The government is taking necessary measures to amp up trade. BB has extended the upfront import payment regime, allowing offshore banks and external financiers to pay under buyer's credit. Currently, domestic banks are allowed to make such payments.

**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 1.15% weekly change** ↓

EUR/USD pair was down by 1.25% last week, closing at 1.2080. Bear signals are increasing and daily & monthly RSIs imply downside momentum is growing. Support and resistance is at 1.2000 and 1.2160.

**GBPUSD 0.22% weekly change** ↑

Sterling gained 0.22% last week and closed at 1.3590. GBP bulls failed a third time to hold above 1.3700 and bears are gaining momentum. Support and resistance is at 1.3450 and 1.3690 respectively.

**AUDUSD 0.77% weekly change** ↓

AUD/USD closed at 0.7700, down by 0.77% during the week. The pair failed to sustain above 0.7750 and the uptrend is now under pressure from bears. Support and resistance is at 0.7623 and 0.7788.

**USDJPY 0.06% weekly change** ↓

The pair was down by 0.06% during the week, closing at 103.87. The pair is likely to stall the downtrend at 103.50-60 level. Support and resistance is at 103.50 and 104.25 respectively.

**USDCNY 0.08% weekly change** ↑

The pair gained 0.08% during the last week and closed at 6.4800. As USD is gaining more, the pair likely to break 6.5000 mark and continue the uptrend. Support and resistance is at 6.47000 and 6.5300 respectively.

## Money Market and Interest Rate

### Money Market

Call money market remained extremely liquid in last week. Weighted average call and repo transaction increased by 21.27% and 51% respectively. Repo transaction increased from BDT 18 bio to 27 bio. BDT 24.17 bio has been injected in the market from central bank by buying USD from Market.

Auction for 91D and 182D T-bill for BDT 8.0 & 6.0 bio held today. Yields decreased by 1 bps and 22 bps respectively. Auction for 5Y T-bond for 15 bio was also held. Yield decreased by 40 bps .

**Outlook:** Money market is expected to remain liquid till the end of this quarter due to the lower Government borrowing and fund injection by central bank through USD purchase.

### Interest Rate

ADP is expected to be slashed significantly to cope up with the poor pace of project implementation. The Economic Relations Division (ERD) has already slashed the foreign project aid portion of the current ADP by 10.64% to BDT 630 billion in the aftermath of COVID. The allocation of the project aid in the current year is BDT 705.02 billion. A commission member requesting anonymity said the ADP could be cut by nearly 15% in fiscal year 2020-21. According to Implementation Monitoring and Evaluation Division (IMED), Government executed only 24% of the ADP during July-December Period.

Private sector credit growth target was revised at 11.5% in December against the target of 14.8%. As of November, private sector credit growth was only 8.21% due to this pandemic. Both Bankers and investors stepped cautiously to invest their fund inform of advance As a result, money market flooded with huge liquidity and made a record of BDT 1.95 trillion In November 2020. As banks' are playing very cautiously for loan disbursement, excess liquidity left them with no option rather than investing in treasury securities. But Government borrowing also waned extraordinarily due to higher sale of NSCs.

**Outlook:** Interest rate is expected to remain downward due to slow progress of Economy.

### Capital Market

- BSEC is amending rules to make capital raising process more stringent . The commission also proposed to make it mandatory for a listed company to get the consent from the regulator regarding raising capital through issuing equity shares
- United Airways has been delisted from the bourse by BSEC as the company has failed to comply with the rules/take any initiative to revive its business
- BSEC has set 12% as the maximum interest rate on margin loans . Stockbrokers and merchant banks that work as portfolio managers would be able to charge customers a maximum of an additional 3% spread along with the cost of funds against the loan.

## Market Synopsis

### Treasury Bill & Bond Yields

Latest Issue Date	Tenor	Latest Yield	Previous Yield
18-Jan-21	91 Days	0.48%	0.49%
18-Jan-21	182 Days	0.75%	0.97%
10-Jan-21	364 Days	1.50%	1.87%
06-Jan-21	2 Years	3.14%	3.71%
13-Jan-21	5 Years	4.24%	4.64%
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
0.1295	0.1659	0.2234	0.2481	0.3226

### Capital Market

Index	Value	Weekly Change
DSEX	5,850.43	4.07%
FTSE 100	6,735.71	-2.00%
Nikkei 225	28,519.18	1.35%
Dow Jones IA	30,814.26	-0.91%
S&P 500	3,768.25	-1.48%

### Commodities

Commodity (unit)	Latest Price	Weekly Change
Brent Crude Oil (BBL)	55.10	-1.59%
Gold (OZS)	1827.40	-1.13%
ICE-US Cotton (LBS)	80.70	1.17%
Soybean (BSH)	1416.75	2.98%
Wheat (BSH)	675.50	5.75%
Sugar (LBS)	16.45	5.45%
Palm Oil (Tonne)	895.75	-9.63%
Steel (Tonne)	1066.00	-0.37%

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

Indicator	India	Pakistan	China	Bangladesh
CPI (YoY) (% change)	4.59%	8.00%	0.20%	5.29%
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	5.988%	10.059%	3.151%	5.81%

### Released Economic Data (G8 Countries)

Indicator	USA	UK	Eurozone	Japan
CPI (YoY)	1.40%	0.30%	-0.30%	-0.90%
GDP Growth Rate	33.40%	16%	12.50%	5.30%
Unemployment Rate	6.70%	4.90%	8.30%	2.90%
Base Rate	0.25%	0.10%	0.00%	-0.10%
Government Bond 10Y	1.0869%	0.286%	-0.20%	0.039%

\*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 sruch information. All opinions and estimates included in this report constitute our judgment as of this date and are subject to change without notice.

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