

Treasury Weekly



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Currency Outlook

USDBDT Exchange Rate

The country's foreign exchange reserve has decreased by USD3.73 billion in the last four months after reaching a record high of USD48 billion due to the recent surge in import payments and a sharp decline in remittance earnings. The country's import grew by 53% against a 22.65% growth in export earnings in the July-November period of the current fiscal year 2021-2022. As a result, the country's trade deficit grew by more than three times in the July-November period when there was a sharp decline in remittance earnings.

The central bank is considering depreciation of the currency keeping in mind the interest of remitters and exporters. BGMEA has approached the commerce ministry seeking devaluation of the currency for a competitive edge in export. However, keeping in mind importer's interests and to prevent sudden inflationary pressures the depreciation is expected to be gradual.

Central bank is taking various initiatives to improve foreign currency inflows. BB has asked top bankers to communicate the expatriate Bangladeshis about enhanced cash incentives on remittance receipts through massive awareness campaigns both at home and abroad. However, BB has asked to exert caution in quoting rates to remittance houses at rational levels.

On the export side, BB has simplified the procedure of cash incentive for freelancers, who are working with software and IT-related services on different international marketplaces for global clients, against their foreign currency earnings up to USD5,000.

In the interbank market, demand for USD still reigns. In the spot market transactions are taking place at USD/BDT 86.00 and forward transactions are taking place up to USD/BDT 88.09. (BAFEDA).

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 0.44% weekly change ▲

EUR/USD picks up pace and extends the bounce off 1.1400 and grind higher towards 1.1525/1.1540. Upper limit of the base at 1.1380/1.1350 is short-term support.

GBPUSD 0.59% weekly change ▲

GBP/USD is moving up and down in a narrow channel below 1.3700 as investors await the next catalyst. The pair could extend its correction toward 1.3660 and 1.3720 forms the first technical hurdle before 1.3750.

AUDUSD 0.42% weekly change ▲

AUD/USD losses were cushioned at the 0.7200 level. A break below this mark would clear the way for a fall to the 0.7130 region. Market expectations of RBA rate hikes remain optimistic.

USDJPY -1.17% weekly change ▼

USD/JPY may remain between 114.00 to 115.00 range ahead of BoJ meeting. In the immediate term, expect support at 113.50 and Upside bias could be reinforced above 114.75.

USDCNY -0.39% weekly change ▼

USD/CNH slides towards 6.3500. As china stocks up after surprising MLF, 7-day repo rate cuts. Aggressive policy easing lifts sentiment for now. But yuan bulls may get nervous ahead with rising UST yields. Also, officials may curb yuan gains as RMB index rises.

Money Market and Interest Rate

Money Market

Avg. daily call money transaction has decreased by 34.85% to BDT 68.47 bio and the weighted average rate has decreased to 2.40% from 2.85%. Interbank avg. repo volume has increased by 49.87% and the weighted avg. rate has decreased by 31 bps to 1.41%. Interbank avg. SND volume has increased by 24.50% to 2.42 bio and wt. avg. rate has decreased by 37 bps to 2.37%. Interbank avg. term volume has increased by 62.54% to 1.02 bio and wt. avg. rate has increased by 92 bps to 6.39%.

Auction: 5Y T-bond auction took place last week and standard tenor yield has decreased by 5 bps to 6.50%. 91D & 182D T-bill auction took place this week and yield decreased by 01 bps to 2.37% and 09 bps to 3.16% respectively.

Outlook: There can be a slight spike in the money market rate in Second half of this month as the scheduled auctions outflow is almost double the BGTB maturity.

Interest Rate

The net sales of national savings certificates plunged by 47.36% YOY in July-November period of the current fiscal year 2021-2022. The year-on-year net sales of the savings tools dropped by BDT 90.19bn to BDT 100.25bn in July-November. The government in November sold net NSCs worth BDT 7.01bn Government borrowing through Treasury securities accordingly increased to BDT 334 billion in first six months of the FY 2021-2022.

Different Government ministries and Economist pointed out several alarming issues on country's fiscal side which they suggested to address immediately. According to the Dr. Ahsan H. Mansur, executive director of PRI, pressure is building up on BoP as import is increasing at a rate of 54% while export is growing at a much smaller pace. Remittance inflow is also declining. Current account deficit is recorded USD 6 bio plus in five months showing almost 200% jump YoY. The major concern is the source of fund from which such gap will be filled while country's current ADP is already being sourced by borrowed fund. He suggested, regulators should act and address such issues proactively before country becomes trapped like other countries who are struggling with external reserve situation.

On the other hand, World Bank revised their GDP forecast for Bangladesh up to 6.4%. "The strong export growth, supported by returning readymade garment demand from abroad, and a rebound in domestic demand – with improving labor income and remittance inflows – supported Bangladesh's recovery from the Covid-19 impact," says the Global Economic Prospect (GEP) report.

Outlook: Interest rate is expected to remain upward as due to inflationary pressure which is tagged with global phenomenon.

Capital Market

- Dhaka Stock Exchange has initiated a move to be listed on the London Stock Exchange with the aim of improving the image of the Dhaka bourse on the global platform and elevating it to the international standards. The DSE may offload 5-10% of its shares on the LSE
- The subscription for shares of Mamun Agro Products through qualified investor offer (QIO) will begin January 23, aiming to raise BDT 100 million. The fund will be raised through the exchanges' SME platform earlier introduced to ensure long-term financing for the small-capital companies. The company will utilise the proceeds for construction of building and civil work, working capital and issue-management costs

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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% |
| 17-Jan-22 | 91 Days | 2.37% | 2.38% |
| 17-Jan-22 | 182 Days | 3.16% | 3.25% |
| 10-Jan-21 | 364 Days | 3.45% | 3.47% |
| 05-Jan-22 | 2 Years | 4.81% | 4.79% |
| 12-Jan-21 | 5 Years | 6.50% | 6.55% |
| 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 | 7,054.90 | 1.76% | 1M | 0.10329 |
| FTSE 100 | 7,542.95 | 0.77% | 2M | N/A |
| Nikkei 225 | 28,333.52 | -0.51% | 3M | 0.24129 |
| Dow Jones IA | 35,911.81 | -0.88% | 6M | 0.39500 |
| S&P 500 | 4,662.85 | -0.30% | 1Y | 0.72571 |

Commodities

| Commodity (unit) | Latest Price | Weekly Change | USD SOFR | |
|-----------------------|--------------|---------------|-----------|----------|
| | | | Tenor | SOFR |
| Brent Crude Oil (BBL) | 86.06 | 5.27% | Overnight | 0.05 |
| Gold (OZS) | 1817.22 | 1.20% | 1M | 0.05605 |
| ICE-US Cotton (LBS) | 119.70 | 3.98% | 3M | 0.13671 |
| Soybean (BSH) | 1356.75 | -3.18% | 6M | 0.27569 |
| Wheat (BSH) | 741.50 | -2.21% | 1Y | 0.5103 |
| Sugar (LBS) | 18.31 | 1.44% | Source | Reuters |
| Palm Oil (Tonne) | 1263.5 | -0.24% | | CME Term |
| Steel (Tonne) | 1437.00 | 1.55% | | SOFR |

Released Economic Data (South Asia & China)

| Indicator | India | Pakistan | China | Bangladesh |
|------------------------|--------|----------|--------|------------|
| CPI (YoY) | 5.59% | 12.30% | 1.50% | 6.05% |
| GDP Annual Growth Rate | 8.40% | 3.94% | 4.00% | 5.47% |
| Policy Repo Rate | 4.00% | 9.75% | 3.80% | 4.75% |
| Government Bond 10Y | 6.637% | 11.509% | 2.791% | 7.42% |

Released Economic Data (G8 Countries)

| Indicator | USA | UK | Eurozone | Japan |
|---------------------|--------|---------|----------|---------|
| CPI (YoY) | 7.00% | 5.10% | 5.00% | 0.60% |
| GDP Growth Rate | 2.30% | 1.10% | 2.20% | -0.90% |
| Unemployment Rate | 3.90% | 4.20% | 7.20% | 2.80% |
| Base Rate | 0.25% | 0.25% | 0.00% | -0.10% |
| Government Bond 10Y | 1.793% | 1.1730% | 0.35% | 0.1480% |

*10-Year Eurozone Central Government Bond Par Yield Curve

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