

# Treasury Weekly



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## Currency Outlook

### USDBDT Exchange Rate

The central bank is continuing its purchase of USD funds from the interbank market. In Jan 2021, Bangladesh Bank has purchased USD 387 mio from the market already (BAFEDA). Although the dollar purchase is helping banks with excess USD funds and improving the foreign exchange reserve, the buying spree has flooded the financial sector with excess liquidity. But lower credit demand from borrowers amid the slowdown in business has put an adverse impact on the cost of funds for banks as liquidity has largely remained idle.

The country's current account balance recorded a surplus for the fifth consecutive month, reaching USD 4.1 billion in November 2020, as against a deficit of USD 1.4 billion recorded in the same period a year earlier, according to the Bangladesh Bank's (BB) latest data. This is the highest-ever current account surplus since fiscal year (FY) 1996-97. The surplus in current account balance can be attributed to a contraction in trade deficit, largely on account of a steeper decline in merchandise imports amid the Covid-19 pandemic as compared to exports on a year-on-year basis.

**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 0.75% weekly change** ↑

EUR/USD pair was up by 0.75% last week, closing at 1.2170. The pair headed into the weekly close trading at its highest for the week. The long-term trend is bullish. Support and resistance is at 1.2100 and 1.2223.

**GBPUSD 0.66% weekly change** ↑

Sterling gained 0.66% last week and closed at 1.3680. The pair dropped further and bottomed at 1.3634 then it rebounded to 1.3680 but unable to hold firmly above 1.3700. Support and resistance is at 1.3555 and 1.3745 respectively.

**AUDUSD 0.26% weekly change** ↑

AUD/USD closed at 0.7720, up by 0.26% during the week. The pair continued losing ground around the 0.7700 mark. Support and resistance is at 0.7640 and 0.7770.

**USDJPY 0.10% weekly change** ↓

USD/JPY was down by 0.10% during the week, closing at 103.87. The pair is struggling to penetrate 103.95. Support and resistance is at 102.95 and 104.10 respectively.

**USDCNY 0.02% weekly change** ↑

The pair gained 0.02% during the last week and closed at 6.4810. As China battles fresh COVID-19 outbreak the pair is in way loose more against USD. Support and resistance is at 6.47500 and 6.5400 respectively.

## Money Market and Interest Rate

### Money Market

Call money market showed same liquid scenario in previous week. Average call money transaction in last week increased by 59.44% than previous week and rate decreased by 0.35%. Average repo transaction showed insignificant change and remained in same level which is BDT 30.00 bio. Greenback purchase volume by BB in last week was tiny and had insignificant impact on market liquidity.

Auction for 91D and 364 D T-bill for BDT 8.0 & 6.0 bio held today. Yields decreased by 3 bps and 25 bps respectively. Auction for 10Y T-bond for 15 bio was also held. Considering standard tenor base, yield increased by 7 bps.

**Outlook:** Lack of short term investment option will keep money market liquid for upcoming periods.

### Interest Rate

Interest rate spread in banking industry has slightly increased in November 2020 as interest on deposit decreased at comparatively higher rates than that on credit. The weighted average spread between the lending and the deposit rates rose to 2.98% in November from 2.94% a month ago. Reasons behind such situations are surplus liquidity holding of banks, lower private sector credit growth and slower ADP implementation.

The banks' excess liquidity has hit all-time high of nearly BDT 2.0 trillion in November. Expansionary monetary policy coupled with the implementation of the government's stimulus packages have driven up liquidity in the banking system which might fuel inflationary pressure in the country in the near future. Inflationary pressure may come into picture if the excess liquidity is used for unproductive or less-productive sectors. General inflation in November has already been recorded at 5.52%. BB, however, is hopeful about tolerable inflation level and has projected an average inflation range of 5.0%-5.9% per cent for the current fiscal year, near to the government's target of 5.4% due to suppressed demand.

**Outlook:** As market is struggling with surplus liquidity pressure and low demand, interest rate is expected to remain downward till the end of current fiscal year.

### Capital Market

- BSEC has issued a directive to introduce the new system of allotment of IPO shares. From April 1, there will be no lottery for IPO shares. Instead, allotment of IPO shares will be on pro rata basis. For this, An investor must have the listed companies' shares of at least BDT 20,000 in his BO account and BO account-holder should make an IPO application involving at least BDT 10,000 or its multiples.

- Desh General Insurance Company's public subscription for an IPO is due to kick off on 14 February- 18 February. The company aims to raise BDT 160 million from the stock market to expand its business, issuing shares at BDT 10 each through the IPO.

## Market Synopsis

### Treasury Bill & Bond Yields

Latest Issue Date	Tenor	Latest Yield	Previous Yield
25-Jan-21	91 Days	0.45%	0.48%
18-Jan-21	182 Days	0.75%	0.97%
25-Jan-21	364 Days	1.25%	1.50%
06-Jan-21	2 Years	3.14%	3.71%
13-Jan-21	5 Years	4.24%	4.64%
20-Jan-20	10 Years	5.87%	5.81%
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
0.1248	0.1604	0.2153	0.2360	0.3123

### Capital Market

Index	Value	Weekly Change
DSEX	5,815.55	-0.60%
FTSE 100	6,695.07	-0.60%
Nikkei 225	28,631.45	0.39%
Dow Jones IA	30,996.98	0.59%
S&P 500	3,841.47	1.94%

### Commodities

Commodity (unit)	Latest Price	Weekly Change
Brent Crude Oil (BBL)	55.41	0.56%
Gold (OZS)	1854.08	1.46%
ICE-US Cotton (LBS)	81.56	1.07%
Soybean (BSH)	1311.75	-7.41%
Wheat (BSH)	634.5	-6.07%
Sugar (LBS)	15.87	-3.53%
Palm Oil (Tonne)	886.5	-1.03%
Steel (Tonne)	1058	-0.75%

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

Indicator	India	Pakistan	China	Bangladesh
CPI (YoY) (% change)	4.59%	8.00%	0.20%	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	5.939%	10.04%	3.147%	5.87%

### Released Economic Data (G8 Countries)

Indicator	USA	UK	Eurozone	Japan
CPI (YoY)	1.40%	0.60%	-0.30%	-1.20%
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	1.0855%	0.303%	-0.16%	0.039%

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

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