

Treasury Weekly



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Currency Outlook

USDBDT Exchange Rate

Initiatives taken to improve remittance flows are reaping good results as remittance inflow in January 2022 amounted to USD 1.70 bio, up by USD 73.79 million from the previous month's level. The government has already raised the cash incentives on inward remittance to 2.5% from 2.0% earlier to encourage the remitters. Forex earnings from Exports are also maintaining steady pace. Last month, export earnings witnessed a 41% year-on-year growth, while remittances increased by 4.52% MOM. Apparel shipments grew by 29% year-on-year in July-January (BGMEA data).

However, country's trade deficit surged to USD 15.62 billion in 1HFY22 despite a substantial growth in exports. The BB data showed that the country's export earnings increased by 27.25% to USD 23.36 billion while import payments grew by 54.49% to USD 38.97 billion. Current account balance turned USD 8.18 billion deficit in H1FY22 from a positive balance of USD 3.52 billion in H1FY21. The country's overall balance turned USD 1.79 billion deficit during the period, compared to a surplus of USD 6.16 billion during H1FY21. The BB data also showed that the country's gross foreign direct investment remained static at USD 1.9 billion during the period. Bangladesh Bank is continuing sale of USD in the interbank market. The central bank sold USD 509 mio to banks in Jan 2022. BB sold total USD 2.67 bio to banks in Jul-Jan 2021-2022.

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 2.78% weekly change ▲

EUR/USD pulls down on upbeat US employment data currently trading sub-1.1450 amid picking up dollar's demand post-NFP. On the upside, 1.1480 aligns as the first resistance before 1.1500. Supports are located at 1.1400 and 1.1360.

GBPUSD 0.97% weekly change ▲

GBP/USD came under renewed bearish pressure and continues to push lower toward 1.3500 amid an upbeat January NFP, fueling the greenback. Supports are located at 1.3500 and 1.3450. On the other hand, the pair needs to rise above 1.3600 to be bullish again.

AUDUSD 1.29% weekly change ▲

AUD/USD slides almost 100-pips post-NFP report as USD bull's eye 0.7000. A risk off-market mood keeps investors moving towards safe-haven assets, like the USD and the JPY. Support levels are 0.6950 and 0.6900.

USDJPY -0.03% weekly change ▼

USD/JPY jumps off from 114.30 after NFP amid a stronger dollar. USD/JPY erases weekly losses with the latest rally, with the bullish momentum intact. The next resistance could be seen at 115.45, before last week highs at 115.65/70.

USDCNY 0.00% weekly change ↔

USD/CNY in a void, but may gravitate lower subsequently. The pair stuck in no-man's land within consolidation zone. Exit from 6.3433-6.3706 range needed for momentum, above that range implies breakout.

Money Market and Interest Rate

Money Market

Excess reserve (Excess CRR: un-invested cash) in banking system came down to BDT 321 bio by end of Dec 2021 from BDT 441 bio as of end of Nov 2021. But total liquid asset including excess investment in government treasury securities remained almost similar at BDT 2.17 trio at end of Dec 2021 compared to BDT 2.19 trio as of Nov 2021. Weighted average call money rate has increased to 2.42% from 2.37% last week. Weighted average Term money rate also increased by 122 bps to 5.08% WOW. **Auction:** 2Y T-bond auction took place last week and standard tenor yield has decreased by 23 bps to 4.58%. 91D & 364D T-bill yield also decreased by 16 bps to 2.21% and 06 bps 3.39% respectively in auction held on 06 Feb..

Outlook: Money Market is likely to be remain moderately liquid in the current month as the net fund flow is zero from Treasury auction.

Interest Rate

After recovering from the COVID pandemic, credit growth to private sector has started to picking up the momentum and reached to 10.68% on December 2021 against BB set target of 14.8%. Major reason behind such surge is the rise of imports, average 54.49% in H1FY22. During this period import growth of capital machinery import was 30%, intermediate goods 70%, chemical fertilizer 105%, yarn 103% and drugs and medicines more than 1,000%, central bank data show. Weighted average lending rate also increased by 3 bps to 7.18% in Dec 21 due to loan demand prompted from higher import and spread has reached to 3.19% in Dec'21 from 3.16% a month ago.

On the other hand poor ADP implementation of different ministries have forced Economic Relations Division (ERD) to revised down the foreign aid target by 20% in revised development budget. Proposed revised project aid outlay is expected to come down to BDT 702.50 billion from BDT 880.24 billion. Projected revised ADP size is BDT 2.37 trillion. According to the IMED, Government ministries could utilize only 24% of total ADP in first five months of running fiscal year. Public agencies were showing better performance in implementing the government-funded projects which is more than 25% of current ADP comparing to project aid-funded ones which is 22% of BDT 880.24 billion. Some large development budget-holders have sought lower foreign-aid funds than their current allocation in the upcoming RADP because of relaxed monitoring system over government project fund compare to project aided fund. This has forced ERD to revise down the project aid by 177.74 billion.

Outlook: Interest rate is expected to maintain an upward trajectory owing to USDBDT exchange rate volatility, increased credit demand infused from higher import volume and inflationary pressure in both domestic and international market.

Capital Market

- Bangladesh bank has given nod to four private business entities to invest total USD 10.00 million in abroad as an initiative to rein capital fight alongside of increase local product's footprint in global market. Those four companies are Square pharma, Renata pharmaceuticals, ACI pharmaceuticals and BSRM
- To increase investment purview, DSE is considering to set up BO accounts for people with mobile financial services account but no traditional bank account.

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%
07-Feb-22	91 Days	2.21%	2.37%
17-Jan-22	182 Days	3.16%	3.25%
07-Feb-22	364 Days	3.39%	3.45%
02-Feb-22	2 Years	4.58%	4.81%
12-Jan-22	5 Years	6.50%	6.55%
19-Jan-22	10 Years	7.10%	7.42%
26-Jan-22	15 Years	7.36%	7.80%
26-Jan-22	20 Years	7.67%	7.89%

Capital Market

Index	Value	Weekly %	USD LIBOR	
			Tenor	LIBOR
DSEX	7064.29	1.04%	1M	0.11529
FTSE 100	7,516.40	0.67%	2M	N/A
Nikkei 225	27,439.99	2.70%	3M	0.33900
Dow Jones IA	35,089.74	1.05%	6M	0.55543
S&P 500	4,500.53	1.55%	1Y	0.99900

Commodities

Commodity (unit)	Latest Price	Weekly Change	USD SOFR	
			Tenor	SOFR
Brent Crude Oil (BBL)	93.27	3.60%	Overnight	0.05000
Gold (OZS)	1,807.49	0.92%	1M	0.04898
ICE-US Cotton (LBS)	126.74	2.41%	3M	0.22962
Soybean (BSH)	1,553.50	5.68%	6M	0.44949
Wheat (BSH)	763.25	-2.93%	1Y	0.76993
Sugar (LBS)	18.23	0.16%	Source	Reuters CME Term SOFR
Palm Oil (Tonne)	1,383.00	-0.07%		
Steel (Tonne)	1,190.00	1.71%		

Released Economic Data (South Asia & China)

Indicator	India	Pakistan	China	Bangladesh
CPI (YoY)	5.59%	13.00%	1.50%	6.05%
GDP Annual Growth Rate	8.40%	3.94%	4.00%	5.47%
Policy Repo Rate	4.00%	9.75%	3.70%	4.75%
Government Bond 10Y	6.88%	10.91%	2.75%	7.10%

Released Economic Data (G8 Countries)

Indicator	USA	UK	Eurozone	Japan
CPI (YoY)	7.00%	5.40%	5.10%	0.80%
GDP Growth Rate	6.90%	1.10%	0.30%	-0.90%
Unemployment Rate	4.00%	4.10%	7.00%	2.70%
Base Rate	0.25%	0.50%	0.00%	-0.10%
Government Bond 10Y	1.92%	1.41%	0.53%	0.19%

*10-Year Eurozone Central Government Bond Par Yield Curve

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For further information please contact:

Treasury & Financial Institutions, BRAC Bank Limited

Phone: +88028801255-60

E-mail: dealing.room@bracbank.com