

Treasury Weekly



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Currency Outlook

USDBDT Exchange Rate

Central bank is continuing purchase of USD funds from the market albeit at a slower pace. BB has purchased USD 585 mio during 1 Jan – 14 Feb against its monthly average of USD 916 mio during H1'FY2021, bringing the cumulative total to USD 6.08 bio till date. Due to this support from central bank, BDT appreciated by only 0.12% during pandemic, while other peers appreciated highly, e.g. CNY 8.95%, INR 3.41%, Vietnam 0.38%, Cambodia 0.76%.

Imports are starting to pick up, registering average growth of 5.5% in Jan 2021 in terms of goods ahead of the upcoming Ramadan in April, although overall import remained subdued by 6.77% during July-Dec period. Export earnings stood at USD 22.67 bio during Jul-Jan of FY2021, contracting marginally by 1.1% YoY. The country's apparel exports to the US notably fell by 11.73% YoY to USD 5.22 bio, though the decline was less severe than that of China (39.16%), India (25.58%), and Indonesia (20.09%), and recovery remains largely dependent on the vaccination programs in major export destinations such as the EU and the US. Inflows from the remittance front remain strong with a YoY growth of 19.79% to USD 1.96 bio in Jan 2021. Interbank market remains liquid with transactions taking place in the range of USD/BDT 84.80 to 84.81. FX reserves stand at USD 43.21 bio as on 10 Feb 2021 against USD 32.57 bio same day last year.

Outlook: The exchange rate is expected to remain stable as long as remittance flows are deemed sufficient to cover contracting exports considering upcoming import payments.

Global Currencies

EURUSD 0.58% weekly change ↑

EUR/USD pair was up by 0.58% last week, closing at 1.2118. The pair recovered majority of the losses from the previous week after sharply reversing from 1.1950 level. Support and resistance is at 1.2020 and 1.2200 respectively.

GBPUSD 0.86% weekly change ↑

Sterling has gained 0.86% last week, closing at 1.3845. The pair continues to penetrate unfamiliar territory with bulls progressively taking over the pair. Support and resistance is at 1.3700 and 1.4000 respectively.

AUDUSD 1.09% weekly change ↑

AUD/USD pair was up by 1.09% during the week, closing at 0.7760. The pair continues to follow the weekly trend line with support and resistance at 0.7800 and 0.7560 respectively.

USDJPY 0.38% weekly change ↓

USD/JPY was down by 0.38% during the week, closing at 104.91. The pair has failed to penetrate the 105.50 level two weeks in a row and may overreact to any bearish developments. Support and resistance is at 104.00 and 105.50 respectively.

USDCNY 0.19% weekly change ↓

USD/CNY lost 0.19% during the last week and closed at 6.4542. The pair has been on a downtrend since June 2020 and may have found some support near the 6.42 level. Resistance is at 6.4800.

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Money Market and Interest Rate

Money Market

Call money market maintained similar level of liquidity last week compared to the previous week. Rate increased by 4 bps from 1.78% to 1.82%. However, transaction volume declined by 4% as repo and short notice deposits are getting more popularity due to cheaper rate. Average repo market transaction increased by 4.19% with daily average volume at BDT 36 bio. Rate was unchanged at 0.75%. Additionally, BDT 9.75 bio has been injected into the market last week through purchase of USD by the central bank.

Treasury Auction: Auction for 91D and 182D T-bill for BDT 10.0 & 7.0 bio was held today. Cut off remained almost same as last auction. The 91D T-bill yield increased slightly by 5 bps only. Auction for 5Y T-bond for 20 bio was also held last week. Considering standard tenor base, yield increased by 7 bps.

Outlook: Call money market is expected to continue its current liquid position till the end of this fiscal year.

Interest Rate

Weighted average interest rate spread widened further MoM from 2.98% to 3.07% in Dec 2020 as deposit rates fell faster relative to lending rates. Expansionary monetary policy of the central bank along with implementation of the government's stimulus packages aimed at the recovery of the pandemic-hit economy led to a surge in excess liquidity in the banking system to BDT 2.04 trio, which may further stretch the interest rate spread as banks try to cut their cost of funds. According to Bangladesh Bank latest statistics, the weighted average interest rate on deposits fell to 4.54% in Dec 2020 from 4.64% in the previous month while the lending rate came down to 7.61% from 7.62%. Moreover, private sector credit growth declined to 8.37% during the period under review from 9.20% at the start of the fiscal year, compelling banks to further cut deposit rates amid lack of investment options.

Revenue collection has increased year-on-year by 3.95% to BDT 1.104 trio during H1'FY2021 against the target of BDT 3.3 trio throughout FY2021. Moreover, the government has kept domestic resource allocation of BDT 1.34 trio unchanged in the ADP for the current FY, which is in contrast with the external assistance component – which has been cut by 10.64%. In addition, ministries are allowed to spend 85% of allocated funds considering satisfactory flow of funds, up from 70%. However, ADP execution till Jan FY2021 was only 28.45%, YoY 11% lower.

Outlook: Interest rate is expected to remain downward as higher NSC sales will cut government's appetite to borrow from banking channel.

Capital Market

- Dhaka Stock Exchange has decided to issue new Trading Right Entitlement Certificate (TREC) as part of its stock exchange demutualization process.
- BSEC has organized a four-day first of its kind road show titled "Rising of Bengal Tiger: Potentials of Bangladesh Capital Markets" at the Park Hyatt Hotel in Dubai to invite foreign investors and NRBs to the country's stock market.

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Market Synopsis

Treasury Bill & Bond Yields

Latest Issue Date	Tenor	Latest Yield	Previous Yield
14-Feb-21	91 Days	0.45%	0.40%
14-Feb-21	182 Days	0.75%	0.75%
07-Feb-21	364 Days	1.25%	1.25%
03-Feb-21	2 Years	3.20%	3.14%
13-Jan-21	5 Years	4.24%	4.64%
20-Jan-21	10 Years	5.87%	5.81%
27-Jan-21	15 Years	6.69%	6.82%
27-Jan-21	20 Years	6.98%	7.06%

USD LIBOR

1M	2M	3M	6M	1Y
0.1074	0.1508	0.1938	0.2008	0.2998

Capital Market

Index	Value	Weekly Change
DSEX	5,447.64	-1.04%
FTSE 100	6,589.79	1.55%
Nikkei 225	29,520.07	2.57%
Dow Jones IA	31,458.40	1.00%
S&P 500	3,934.83	1.23%

Commodities

Commodity (unit)	Latest Price	Weekly Change
Brent Crude Oil (BBL)	62.43	5.21%
Gold (OZS)	1,823.46	0.62%
ICE-US Cotton (LBS)	87.27	5.47%
Soybean (BSH)	1,372.00	0.38%
Wheat (BSH)	636.75	-0.70%
Sugar (LBS)	16.38	-0.24%
Palm Oil (Tonne)	963.50	0.18%
Steel (Tonne)	1,170.00	1.12%

Released Economic Data (South Asia & China)

Indicator	India	Pakistan	China	Bangladesh
CPI (YoY)	4.59%	5.65%	0.20%	5.29%
GDP Annual Growth Rate	4.06%	-0.40%	6.50%	5.24%
Policy Repo Rate	4.00%	7.00%	3.85%	4.75%
Government Bond 10Y	5.99%	9.96%	3.26%	5.87%

Released Economic Data (G8 Countries)

Indicator	USA	UK	Eurozone	Japan
CPI (YoY)	1.40%	0.60%	0.90%	-1.20%
GDP Growth Rate	4.0%	1.00%	-0.70%	5.30%
Unemployment Rate	6.30%	5.0%	8.30%	2.90%
Base Rate	0.25%	0.10%	0.00%	-0.10%
Government Bond 10Y	1.21%	0.53%	-0.10%	0.07%

*10-Year Eurozone Central Government Bond Par Yield Curve