

Currency Outlook

USDBDT Exchange Rate

Due to sharp rise in import costs, the surplus in the current account balance which was USD 4.32 bio in July-December, dropped to USD 2.24 bio in the July-January period – marking the decline of more than 45%. January '21 saw USD 6.69 billion rise in import costs due to the soaring prices of consumer items, fuel and soybean oil in the international market. As more factories are going into production as the virus infection rate drops and the vaccination campaign continues. Therefore, imports of industrial raw materials and consumer items are spiraling. But, the entrepreneurs are still not willing to go for new investments as the pandemic-led uncertainty prevails. Therefore, import of capital machinery and foreign investment show a downturn.

On 24 Feb, reserves exceeded USD 44 bio. But, reserves fell back to USD 42.74 bio on 3 March due to rising import costs. In the interbank market, rates remain stable with transactions taking place at USD/BDT 84.80-81.

Outlook: The exchange rate is expected to remain stable in the short term as long as remittance inflows support import payment pressure. In the long term, BDT is expected to depreciate against the greenback.

Global Currencies

EURUSD 0.25% weekly change ↑

EUR/USD pair was up by 0.25% last week, closing at 1.1950. The pair is trading above 1.19, stabilizing as US yields are off their highs and the market mood is marginally better. Support and resistance lies at 1.1870 and 1.2095.

GBPUSD 0.58% weekly change ↑

Sterling has gained 0.58% last week, closing at 1.3920. GBP/USD unable to weather the dollar storm despite upbeat UK GDP. The pair is on the back foot. Support and resistance lies at 1.3765 and 1.4064.

AUDUSD 0.61% weekly change ↑

AUD/USD pair was up by 0.61% during the week, closing at 0.7760. AUD/USD briefly climbs above 0.7800 but then falls. But further gains is on the board. Support and resistance lies at 0.7724 and 0.7890.

USDJPY 0.91% weekly change ↑

USD/JPY was up by 0.91% last week, closing at 109.00. The pair is posting strong daily gains above 109.00. 10-year US Treasury bond yield continues to push higher. Support and resistance lies at 108.28 and 109.85.

USDCNY 0.18% weekly change ↑

USD/CNY gained 0.18% last week and closed at 6.5080. USD/CNY inspired by UST yields and re-entered the uptrend channel. Yuan bulls may get nervous as China rejigs economy. Support and resistance lies at 6.4500 and 6.5500.

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Money Market and Interest Rate

Money Market

The central bank wants to continue the policy of maintaining excess liquidity in the money market to help the economy recover from the impacts of Covid- 19. Market remains highly liquid. Average daily call money transaction decreased by 7.8% from 46 bio to 42 bio. The average rate also decreased by 7 bps to 1.84%. Average daily repo volume also decreased by 12% to 23 bio, but the average rate increased to 0.80%. BDT 4.24 bio has been injected in the market last week by the central bank through purchase of USD from the market.

Last week, auction for the reissued 2yr T.bond of 15 bio was held. The effective yield for the standard tenor increased 10 bps to 3.30%. Auction for 91D (15 bio) T-bill was also held today, while 364 days auction was cancelled. The yield increased from 0.58% to 0.95%.

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

Interest Rate

Bangladesh's development expenditure was recorded at its lowest in a decade during the July-February period of the current fiscal year as government agencies were able to spend just 33.83% of the allocation. ADP dropped 9.4% to BDT 726.03 billion in the first eight months of fiscal 2020-21, down from BDT 801.43 billion in the previous fiscal. This means the country's economy is still struggling to surge out fully of the pandemic-induced downturn. The government has also downsized the national budget by 5.28% to BDT 5.38 trillion for the current fiscal year, compelled by a significant shortfall in tax collection as the fallout of COVID-19. The target for overall revenue collection has been trimmed to BDT 3.49 trillion from BDT 3.78 trillion set originally. Net NSC sales stood at BDT257 bio against BDT200 bio target for full fiscal, which kept govt.'s inter-bank borrowing requirement subdued. Aligned with the global commodity market and the onset of Ramadan, prices have been on the rise. In February, Inflation rose to 5.32% with non-food inflation increased 48bps to 5.17% while food inflation rose 19bps to 5.42%.

Outlook: Interest rate is expected to remain downward due to the central bank's expansionary monetary policy amid relatively lower public and private demand

Capital Market

- Bangladesh Association of Publicly Listed Companies (BAPLC) has approached BSEC Chairman requesting to formulate a more market-based approach for pricing primary shares when companies seek premium over face value.
- BSEC has published the draft of the amended public issue rules where the commission plans to award 70% shares of an IPO to general investors instead of the current 50%.
- IDLC Finance Limited has requested Bangladesh Bank to revise its policy which bars the non-bank financial institutions (NBFIs) from paying more than 15% cash dividend.

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Market Synopsis

Treasury Bill & Bond Yields

Latest Issue Date	Tenor	Latest Yield	Previous Yield
15-Mar-21	91 Days	0.95%	0.58%
7-Mar-21	182 Days	1.25%	0.75%
22-Feb-21	364 Days	1.25%	1.25%
09-Mar-21	2 Years	3.30%	3.20%
10-Feb-21	5 Years	4.31%	4.24%
16-Feb-21	10 Years	6.01%	5.87%
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
0.1061	0.1368	0.1895	0.1940	0.2781

Capital Market

Index	Value	Weekly Change
DSEX	5,519.16	-1.17%
FTSE 100	6,761.47	1.97%
Nikkei 225	29,717.83	2.98%
Dow Jones IA	32,778.64	4.07%
S&P 500	3,943.34	2.84%

Commodities

Commodity (unit)	Latest Price	Weekly Change
Brent Crude Oil (BBL)	69.22	-0.20%
Gold (OZS)	1,727.49	1.87%
ICE-US Cotton (LBS)	87.56	1.87%
Soybean (BSH)	1,415.75	-1.29%
Wheat (BSH)	631.75	-3.40%
Sugar (LBS)	16.13	-1.65%
Palm Oil (Tonne)	1040.25	1.90%
Steel (Tonne)	1,258.00	-0.16%

Released Economic Data (South Asia & China)

Indicator	India	Pakistan	China	Bangladesh
CPI (YoY)	5.03%	8.70%	-0.20%	5.32%
GDP Annual Growth Rate	0.40%	-0.38%	6.50%	5.24%
Policy Repo Rate	4.00%	7.00%	3.85%	4.75%
Government Bond 10Y	6.232%	10.383%	3.264%	6.01%

Released Economic Data (G8 Countries)

Indicator	USA	UK	Eurozone	Japan
CPI (YoY)	1.70%	0.70%	0.90%	-0.60%
GDP Growth Rate	4.10%	1.00%	-0.70%	2.80%
Unemployment Rate	6.20%	5.10%	8.10%	2.90%
Base Rate	0.25%	0.10%	0.00%	-0.10%
Government Bond 10Y	1.6247%	0.826%	0.07%	0.118%

*10-Year Eurozone Central Government Bond Par Yield Curve