

Treasury Weekly



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Currency Outlook

USDBDT Exchange Rate

Bangladesh's remittances inflow stood at USD 16.68 bio during Jul-Feb of FY21 compared to USD 12.50 bio during the same period of FY20, growing by 33.51%. However, remittances particularly from top remitting countries declined by 7.17%. Exports, maintained YoY negative growth rate of 1.45%, and stood at USD 25.86 bio during Jul-Feb of FY21. Imports also stood at USD 31.91 bio, contracting marginally YoY by 0.26%. Imports of capital machinery, industrial raw materials and intermediate goods, despite the pickup in economic activity, are yet to get any momentum.

Though the first ever loan from the fund for GBP 524.56 mio made available to a state agency, materialization of Bangladesh Infrastructure Development Fund (BIDF) became uncertain in this FY as Finance Ministry specified two conditions as prerequisites to lending from the fund: (i) Annual investment target of the fund cannot exceed USD 2 bio and (ii) Forex reserve must cover at least 6 months of imports. Due to increase in import settlement in January, the reserve is now capable to cover 5.94 months of import payments. FX Reserves stood at USD 43.09 bio as on 16 Mar 2021. 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 0.41% weekly change ↓

EUR/USD pair was down by 0.41% last week, closing at 1.1901. The pair is at risk of breaching the 1.19 level amid rising US yields. Support and resistance is at 1.1870 and 1.2000.

GBPUSD 0.37% weekly change ↓

Sterling lost 0.37% last week, closing at 1.3858. The pair failed to close above 1.40 for the 5th consecutive week, and is hovering between 1.38 and 1.40 level, marking the effective support and resistance level.

AUDUSD 0.21% weekly change ↓

AUD/USD pair was down by 0.21% during the week, closing at 0.7737. AUD/USD had briefly traded at 0.7849 during the week, but then failed to hold ground. Support and resistance is at 0.7600 and 0.7800.

USDJPY 0.16% weekly change ↓

USD/JPY was down by 0.16% lastweek, closing at 108.84. However, the pair has remained above 108.00 level following the breakout on 04 Mar 2021. Support and resistance is at 108.35 and 109.40.

USDCNY 0.01% weekly change ↓

USD/CNY had lost 0.01% last week and closed at 6.5070. The pair has remained range bound during the week. Support and resistance is at 6.4500 and 6.5500.

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Money Market and Interest Rate

Money Market

Money market is still highly liquid as the government's bank borrowing turned negative. Repo and short notice deposits are more popular than call money due to lower rates. Last week, daily average call money transactions increased by 11.6%, while the average rate decreased by 8 bps to 1.75% compared to the previous week. On the other hand, daily average repo transaction increased by 10.9% to BDT 30.7 bio at 0.75%. BDT 4.24 bio has been injected into the market last week by the BB through purchase of USD from the market.

Treasury Auction: Auction for 5Y T-bond for BDT 15 bio was held last week. Yield decreased by 6 bps to 4.25%. Auction for 91D T-bill of BDT 17.5 bio was held today. Yield increased by 4 bps to 0.99%.

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

Interest Rate

The government's borrowing from the banking sector has turned negative in Jul-Feb period of FY21 due to higher NSC sales and lower ADP implementation. The central bank data showed that government has repaid BDT 119.40 bio in bank loans during the 8 months of FY21, whereas the budgetary projection was to borrow BDT 849.80 bio from the banking sector for deficit financing. With government's repayment in Jul-Feb of FY21, the government's outstanding bank borrowing dropped to BDT 1.66 bio at the end of Feb 2021 from BDT 1.78 bio at the end of Jun 2020.

Further, scheduled banks issued BDT 310.93 bio in credit to the government during the Jul-Feb period, whereas the central bank received BDT 430.33 bio from the government that lowered the BB's lending to the government from BDT 443.53 bio in Jun 2020 to BDT 13.19 bio in Feb 2021. In addition, the government has BDT 271.82 bio in deposit in its accounts at the end of Feb 2021 while its deposit was only BDT 0.33 bio at the end of FY20.

Outlook: Interest rate is expected to remain downward due to the central bank's expansionary monetary policy amid relatively lower public and private demand for money in the current fiscal year.

Capital Market

- Perpetual bonds issued by banks must be listed on the stock exchanges within 30 days of their subscription closure, as decided by the Bangladesh Bank and the Securities and Exchange Commission (BSEC) in a meeting on 15 Mar 2021. The deadline for making the bonds tradable in the secondary market will be set on a case-to-case basis.
- Bank funds amounting to BDT 18.63 bio are headed for the stock market as the investors are deeming it a better mode for gaining higher, cost-effective yields compared to other available forms of investments.
- The Dhaka Stock Exchange (DSE) has extended the deadline for applying for a new TREC license from the prime bourse until 28 Mar 2021.

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Market Synopsis

Treasury Bill & Bond Yields

Latest Issue Date	Tenor	Latest Yield	Previous Yield
21-Mar-21	91 Days	0.99%	0.95%
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%
18-Mar-21	5 Years	4.25%	4.31%
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
0.1084	0.1484	0.1969	0.2024	0.2763

Capital Market

Index	Value	Weekly Change
DSEX	5,349.78	-3.07%
FTSE 100	6,708.71	-0.78%
Nikkei 225	29,792.05	0.25%
Dow Jones IA	32,627.97	-0.48%
S&P 500	3,913.10	-0.77%

Commodities

Commodity (unit)	Latest Price	Weekly Change
Brent Crude Oil (BBL)	64.53	-6.78%
Gold (OZS)	1,744.74	1.00%
ICE-US Cotton (LBS)	84.68	-3.29%
Soybean (BSH)	1,416.25	0.04%
Wheat (BSH)	627.00	-0.75%
Sugar (LBS)	15.76	-2.28%
Palm Oil (Tonne)	976.00	-6.18%
Steel (Tonne)	1,266.00	0.64%

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	6.19%	10.36%	3.25%	6.01%

Released Economic Data (G8 Countries)

Indicator	USA	UK	Eurozone	Japan
CPI (YoY)	1.70%	0.70%	0.90%	-0.40%
GDP Growth Rate	4.10%	1.00%	-0.60%	3.00%
Unemployment Rate	6.20%	5.10%	8.10%	2.90%
Base Rate	0.25%	0.10%	0.00%	-0.10%
Government Bond 10Y	1.73%	0.84%	0.08%	0.12%

*10-Year Eurozone Central Government Bond Par Yield Curve