

# Treasury Weekly



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## Currency Outlook

### USDBDT Exchange Rate

Exports from Bangladesh declined YoY by 1.02% and stood at USD 22.13 bio during Jul-Jan of FY21. According to local garment suppliers, they were receiving 20% fewer work orders for the next season beginning June as International buyers are following a 'go-slow' policy because of fresh lockdowns and stricter restrictions in key markets. In contrast, imports stood at USD 31.91 bio, contracting marginally YoY by 0.26%. As a result, trade deficit stood at USD 9.78 bio in Jan 2021 compared to USD 9.64 bio in Jan 2020. Workers' remittances inflow, on the other hand, grew by 34.95% and stood at USD 14.90 bio during Jul-Jan of FY21. Altogether current account balance stood at USD 2.23 bio as of Jan 2021 compared to USD -1.80 bio same month a year ago, but declined significantly from USD 4.10 bio in Dec 2020, due to higher imports. Overall balance of payments stood at USD 6.40 bio compared to USD 132 mio a year ago.

FX Reserves stood at USD 43.36 bio as on 24 Mar 2021 compared to USD 32.56 bio same day a year ago. 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 0.91% weekly change ↓

EUR/USD pair was down by 0.91% last week, closing at 1.1793. The pair successfully breached the 1.19 level amid rising US yields. Support and resistance is at 1.1630 and 1.1900.

#### GBPUSD 0.56% weekly change ↓

Sterling lost 0.56% last week, closing at 1.3781. The pair found some support at 1.3670-80 level, recovering some of the losses but failed to close above the support level at 1.38. Support and resistance is at 1.3680 and 1.3850.

#### AUDUSD 1.24% weekly change ↓

AUD/USD pair was down by 1.24% during the week, closing at 0.7641. AUD/USD reached as high as 0.7756 during the week, but then failed to hold ground. Support and resistance is at 0.7600 and 0.7750.

#### USDJPY 0.75% weekly change ↑

USD/JPY was up by 0.75% last week, closing at 109.66. The pair has been gaining following the breakout on 04 Mar 2021. Support and resistance is at 108.50 and 110.15.

#### USDCNY 0.53% weekly change ↑

USD/CNY gained 0.53% last week and closed at 6.5412. The pair has finally broken out of its range and likely positioned for further gains. Support and resistance is at 6.5000 and 6.6600.

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## Money Market and Interest Rate

### Money Market

Money market continues to maintain its high liquidity. Average daily call money transactions have decreased by 9.5% to BDT 42 bio compared to the last week, but the average rate rose by 7 bps to 1.83%. Short Notice Deposits are still the more popular money market instrument.

Average daily repo transaction was BDT 23 bio, which is 23% less than the week before, although the rate was unchanged at 0.75%. Additionally, BDT 5.94 bio has been injected into the market last week by the central bank through the purchase of USD from the market.

**Treasury Auction:** Auction for 10Y T-bond was cancelled last week. Auctions for 364 D T-bill (BDT 25 bio) and 15 Year and 20 Years Bond auction of BDT 10bio each are also declared cancelled.

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

### Interest Rate

Domestic Credit posted growth of 9.39% in Jan 21 over Jan 20 compared to 14.60% of same time of last year. Such lower growth is mainly driven by public sector credit growth, which was YoY 65.04% in Jan 20, whereas it is only YoY 17.22% in Jan 21.

Tax revenue collection stood at BDT 1.32 trio during Jul-Jan of FY21, growing by 4.41% from BDT 1.26 trio for the same period of last FY. Net NSC sales, on the other hand, stood at BDT 257.02 bio till Jan of FY21, increasing by nearly 235% YoY. Till 15 March, 2021 of current FY, the government borrowed BDT 262.41 bio from the scheduled banks, whereas it repaid BDT 329.41 bio in borrowings to the central bank. But the country's external borrowing reached to a record level of USD 70.7 bio in Dec 2020 for mega projects and deficit financing amid slower economic activities and poor revenue collection.

In terms of development expenditure, government agencies were able to spend only 33.83% of the allocation during July-Feb of the current FY, and ADP expenditure dropped YoY by 9.4% from BDT 801.43 bio to BDT 726.03 bio.

**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

- Private investors and the postal department will hold 49:51 stake in Nagad Ltd as the government looks to run the MFS as a subsidiary.
- Beacon Pharmaceuticals, the local pioneer of oncology product manufacturing, plans to export USD 5 mio worth of pharmaceuticals to Syria by December this year, a move that will make Syria the single largest export destination for Bangladeshi pharmaceuticals.
- The central bank has decided to introduce a separate quota on Sukuk or Islamic bonds for the country's Shariah-compliant or Islamic banks amid growing demand for the instrument.

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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
0.1073	0.1374	0.1990	0.2033	0.2808

### Capital Market

Index	Value	Weekly Change
DSEX	5,343.95	-0.11%
FTSE 100	6,740.59	0.48%
Nikkei 225	29,176.70	-2.07%
Dow Jones IA	33,072.88	1.36%
S&P 500	3,974.54	1.57%

### Commodities

Commodity (unit)	Latest Price	Weekly Change
Brent Crude Oil (BBL)	64.57	0.06%
Gold (OZS)	1,731.97	-0.73%
ICE-US Cotton (LBS)	80.38	-5.08%
Soybean (BSH)	1,400.50	-1.11%
Wheat (BSH)	613.25	-2.18%
Sugar (LBS)	15.19	-3.62%
Palm Oil (Tonne)	970.75	-0.54%
Steel (Tonne)	1,271.00	0.39%

### 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	6.12%	10.28%	3.20%	6.01%

### Released Economic Data (G8 Countries)

Indicator	USA	UK	Eurozone	Japan
CPI (YoY)	1.70%	0.40%	0.90%	-0.40%
GDP Growth Rate	4.30%	1.00%	-0.60%	3.00%
Unemployment Rate	6.20%	5.00%	8.10%	2.90%
Base Rate	0.25%	0.10%	0.00%	-0.10%
Government Bond 10Y	1.67%	0.76%	0.04%	0.08%

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