

# Treasury Weekly



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## Currency Outlook

### USDBDT Exchange Rate

The country's trade deficit widened by more than 21% in the first 10 months of the current fiscal year and stood at USD 17.23 billion during the July-April period of FY 21. Import payments have increased in recent months, mainly due to higher purchase of raw materials for ready-made garments (RMG) along with resumption of infrastructure development works across the country. Export earnings increased by 8.97% to USD 31.33 billion in the first 10 months of FY 21. Garment export might make a full recovery to pre-pandemic levels by October this year as shipments are rebounding with the reopening of Western retail stores. Remittance inflows hit a record high of USD 2.17 billion in May, Migrants sent 44% higher remittance in May compared to the last year, Meanwhile, the country's current account balance entered into negative territory despite higher growth of inward remittances. Higher import payment obligations pushed down the current account balance to 47 mio deficit as on April 2021.

Market rate still remains stable with transactions taking place at 84.80-84.8020. FX reserve stood at USD 45.086 bio as on 2 Jun 2021. Whereas just a year back the figure stood at USD 33.473 bio.

**Outlook:** Exchange rate is expected to remain stable with strong remittance inflows and satisfactory export volume against gradually rising imports. In the

### Global Currencies

**EURUSD 0.25% weekly change** ↓

With USD strength dampened by unimpressive non farm payroll figures, EURUSD is expected to cross 1.2220 levels and advance towards 1.2350. However a break below 1.2110 could lead towards 1.2020 levels.

**GBPUSD 0.18% weekly change** ↓

The spread of Delta Variant has been impacting the pair. However US jobs data helped the pair to advance to 1.4150 levels. Nearby resistance and support levels stand at 1.4170 and 1.4080.

**AUDUSD 0.46% weekly change** ↑

As USD remains under pressure the pair reached highs of 0.7772. The pair is expected to continue bullish trend in the short term with resistance at 0.7871 levels. Keep eyes peeled for USD CPI data.

**USDJPY 0.25% weekly change** ↓

US jobs report lead to sell off of USDJPY. The pair reached lows of 109.335. However, the fall of USD may be limited keeping in mind upcoming CPI release. Nearby support and resistance at 108.62 and 109.90

**USDCNY 0.44% weekly change** ↑

USD/CNY gained 0.44% last week, closing at 6.3945. Support and resistance is at 6.3000 and 6.5000. AP markets are expecting mixed trading due to US China tensions

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## Money Market and Interest Rate

### Money Market

Similar to previous weeks, money market maintained its high liquidity status. Daily avg. call money transaction decreased by 7.76% to BDT 33 bio, while the weighted avg. rate increased by 17 bps to 2.34%. SNDs and repos are the more popular instruments in the market. Daily avg. repo transaction increased by 15.73% to BDT 31 bio, with a weighted avg. rate of 0.76%.

**Treasury Auction:** Auctions for 182D T-bill and 364D T-bill for BDT 20 & 15 bio respectively were held last week. Yield remained unchanged for 182D T-bill and decreased by 2 bps for 364D T-bill. Auction for 91D T-bill (BDT 15 bio) was held today. Yield increased by 15 bps to 0.79%.

**Outlook:** Market is expected to remain liquid at least till the end of this calendar year due to lack of alternative investment opportunity in market and further uncertainty due to COVID-19 pandemic.

### Interest Rate

Government declared budget for upcoming fiscal year 2021-22 with a size of BDT 6.037 trio with target GDP growth of 7.2% and inflation 5.3%. Budget deficit is BDT 2.15 trio (6.2% of GDP) which is approx 15% higher than ongoing fiscal. Proposed budget has earmarked to borrow BDT 2.11 trio of which BDT 1.13 trio has been set to be funded by domestic sources and rest by foreign sources. ADP size has been set BDT 2.25 trio for upcoming fiscal year which is 14% higher than revised target of ADP for FY21. Out of the total domestic borrowing target, BDT 764.52 bio has been proposed to borrow from the banking system which is 4.00% less than the revised target of BDT 797.49 bio for FY21. Rest BDT 370.01 bio will be sourced from non-bank sources against the prior revised target of BDT 303.02 bio in the FY21. Revenue target has been ambitiously fixed at BDT 3.89 trio which is roughly 11% above its revised predecessor. As proposed, the government will borrow BDT 516 bio through T-Bonds and the remaining BDT 248.52 billion through treasury bills T-bills.

**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

• Finance ministry has proposed exemption of 4% capital gain tax applicable at the time of transferring property to trust and SPV and vice versa to make Sukuk or Islamic bond popular and creating a strong bond market.

The new budget also proposed listing of open end Mutual Fund, introduction of various instruments of modern capital market, like: ETF, Derivatives, Options, OTC Bulletin Board etc.

• 'The Bangladesh Securities and Exchange Commission (Debt Securities) Rules-2021' published with immediate effect. The rules has paved the way for issuing blue bond and green bond. Also the new rule fixed the timeline, six months, from date of the new rule issuance for trading all debt instruments through exchange,.

## Market Synopsis

### Treasury Bill & Bond Yields

| Latest Issue Date | Tenor    | Latest Yield | Previous Yield |
|-------------------|----------|--------------|----------------|
| 06-Jun-21         | 91 Days  | 0.79%        | 0.64%          |
| 31-May-21         | 182 Days | 0.79%        | 0.79%          |
| 03-Jun-21         | 364 Days | 1.40%        | 1.42%          |
| 04-May-21         | 2 Years  | 2.72%        | 2.99%          |
| 11-May-21         | 5 Years  | 4.03%        | 4.25%          |
| 18-May-21         | 10 Years | 5.80%        | 5.73%          |
| 26-May-21         | 15 Years | 6.19%        | 6.25%          |
| 26-May-21         | 20 Years | 6.74%        | 6.71%          |

### USD LIBOR

| 1M     | 2M     | 3M     | 6M     | 1Y     |
|--------|--------|--------|--------|--------|
| 0.0813 | 0.1179 | 0.1283 | 0.1649 | 0.2460 |

### Capital Market

| Index        | Value     | Weekly Change |
|--------------|-----------|---------------|
| DSEX         | 6,053.43  | 0.74%         |
| FTSE 100     | 7,069.04  | 0.66%         |
| Nikkei 225   | 28,941.52 | -0.71%        |
| Dow Jones IA | 34,756.39 | 0.66%         |
| S&P 500      | 4,229.89  | 0.61%         |

### Commodities

| Commodity (unit)      | Latest Price | Weekly Change |
|-----------------------|--------------|---------------|
| Brent Crude Oil (BBL) | 71.89        | 4.61%         |
| Gold (OZS)            | 1,889.97     | -0.67%        |
| ICE-US Cotton (LBS)   | 85.80        | 4.48%         |
| Soybean (BSH)         | 1,583.75     | 3.48%         |
| Wheat (BSH)           | 687.75       | 3.65%         |
| Sugar (LBS)           | 17.71        | 2.02%         |
| Palm Oil (Tonne)      | 1,024.50     | -1.54%        |
| Steel (Tonne)         | 1,653.00     | -0.72%        |

### Released Economic Data (South Asia & China)

| Indicator              | India | Pakistan | China  | Bangladesh |
|------------------------|-------|----------|--------|------------|
| CPI (YoY)              | 4.29% | 10.87%   | 0.90%  | 5.56%      |
| GDP Annual Growth Rate | 1.60% | -0.38%   | 18.30% | 5.24%      |
| Policy Repo Rate       | 4.00% | 7.00%    | 3.85%  | 4.75%      |
| Government Bond 10Y    | 6.03% | 9.68%    | 3.11%  | 5.80%      |

### Released Economic Data (G8 Countries)

| Indicator           | USA   | UK     | Eurozone | Japan  |
|---------------------|-------|--------|----------|--------|
| CPI (YoY)           | 4.20% | 1.50%  | 2.00%    | -0.40% |
| GDP Growth Rate     | 6.40% | -1.50% | -0.60%   | -1.30% |
| Unemployment Rate   | 5.80% | 4.80%  | 8.00%    | 2.60%  |
| Base Rate           | 0.25% | 0.10%  | 0.00%    | -0.10% |
| Government Bond 10Y | 1.56% | 0.79%  | 0.22%    | 0.09%  |

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

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