

## Currency Outlook

### USDBDT Exchange Rate

To maintain stability of the exchange rate and to prevent it from appreciating, the central bank purchased USD 7.68 bio from the banking system in the first 11 months of the current fiscal year, the highest on record. Impetus was provided by higher flow of remittance and lower imports caused by the business slowdown amid the coronavirus pandemic.

Net foreign investment has increased by 32.12% to USD 1.46 bio during the first ten months of the fiscal 2020-21 amid the Covid-19 pandemic. Total investment during the period was \$2.995 billion, which is 7.85% more than investment in Jul-Apr FY20. Investment by expatriates increased by 9% in Jul-Apr. Export marked a healthy growth of 13.64% worth USD 35.2 bio in first 11 months of the current fiscal.

Imports increased by 13% during July-April, widening the trade deficit by \$3 billion to \$17.22 billion over the same period last year. Increase in import is mainly due to rising price of commodities in international market. Market rate still remains stable with transactions taking place at 84.80-84.8015. FX reserve stood at USD 45.252 bio as on 9 Jun 2021.

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

### Global Currencies

**EURUSD 0.41% weekly change** ↓

EUR/USD technical highlighted downside risks, A break of support near 1.2100 appeared likely. EUR/USD bears would then target the 1.1986/91 where the May monthly low and 200-DMA sit.

**GBPUSD 0.28% weekly change** ↓

GBP/USD continues to churn within ranges, with a new 1.4074 low. Price pivoting around 1.4153 and 1.3947. Weekly action hints at bullish indecision.

**AUDUSD 0.39% weekly change** ↓

AUD/USD rallies above 12-session high but then reverses course. The ensuing slide sees the pair turn negative. Bear signals are building but AUD/USD still trades in a well established range.

**USDJPY 0.15% weekly change** ↑

USD/JPY again found buyers at 109.30 lows. A close above 109.76 on would help open a path back to 110.325. Bias is to buy dips 109.29-30 level.

**USDCNY 0.05% weekly change** ↑

USD/CNY stabilizes after lower weekly opening at 6.3865, Technical consolidation range drifts down to 6.3800-6.4020. Above 6.4020 reinforces psych barrier 6.4000. China may possibly speed up yuan liberalization.

## Money Market and Interest Rate

### Money Market

Similar to previous weeks, money market maintained its high liquidity status. Daily avg. call money transaction increased by 9.24% to BDT 30.76 bio, while the weighted avg. rate decreased by 11 bps to 2.23%. SNDs and repos are the more popular instruments in the market. Daily avg. repo transaction decreased by 12.74% to BDT 22.88 bio, with a weighted avg. rate of 0.76%.

**Treasury Auction:** Auctions for 91D T-bill, 182D T-bill and 2Y T-bond for BDT 15 bio, 15 bio & 20 bio respectively were held last week. Yield increased by 15 bps for 91D T-bill, decreased by 2 bps for 182D T-bill and decreased by 15 bps for 2Y T-bond. Auction for 364D T-bill (BDT 15 bio) was held today. Yield decreased by 10 bps to 1.30%.

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

### Interest Rate

The growth in credit flow to the private sector came down to 8.29% in April 2021, from 8.79% a month ago, according to the Bangladesh Bank's latest statistics. In February 2021 the growth was 8.93%. The growth is 6.51% lower than the central bank's target of 14.80% for the 2020-2021 fiscal. Non-food price inflation rose to 5.86 per cent, the highest in 11 months. Despite the spike, consumers felt less pressure on their wallets in May than April because of a decline in food price inflation. Food inflation dipped 4.87 per cent in May from 5.57 per cent the previous month.

The budget, announced last week, promotes businesses by reducing corporate tax rate for both listed and unlisted companies (excluding telecom, tobacco and financials) by 2.5%. The 20-year tax-exemption support announced in the proposed budget will definitely take Bangladesh's growing automobile industry to an impressive stage and promote local manufacturing. According to a projection by the National Board of Revenue (NBR), the upward price adjustment of the high and premium slab cigarettes would help collect an additional Tk 40 billion in VAT in FY2021-22. The VAT wing of the board is also expected to collect an additional amount of Tk 10 billion each from the mobile phone sector and businesses through installation of EFDs or SDCs.

**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

- The Bangladesh Bank and the Bangladesh Securities and Exchange Commission have decided to allow stock market investors to trade government's treasury bonds through their beneficiary owners' accounts opened with brokerage houses. Within couple of months, investors would be allowed to trade treasury bonds through both current Market Infrastructure (MI) Module of the Bangladesh Bank as well as the DSE platform.

- This week BSEC has removed the floor price for another 30 shares; experts think the floor price will eventually be removed for all shares.

## Market Synopsis

### Treasury Bill & Bond Yields

Latest Issue Date	Tenor	Latest Yield	Previous Yield
07-Jun-21	91 Days	0.79%	0.64%
11-Jun-21	182 Days	0.77%	0.79%
14-Jun-21	364 Days	1.30%	1.40%
09-Jun-21	2 Years	2.57%	2.72%
12-May-21	5 Years	4.03%	4.25%
19-May-21	10 Years	5.80%	5.73%
27-May-21	15 Years	6.19%	6.25%
27-May-21	20 Years	6.74%	6.71%

### USD LIBOR

1M	2M	3M	6M	1Y
0.0729	0.1035	0.1189	0.1525	0.2394

### Capital Market

Index	Value	Weekly Change
DSEX	6,036.05	-0.04%
FTSE 100	7,134.06	0.92%
Nikkei 225	28,948.73	0.02%
Dow Jones IA	34,479.60	-0.80%
S&P 500	4,247.44	0.41%

### Commodities

Commodity (unit)	Latest Price	Weekly Change
Brent Crude Oil (BBL)	72.69	1.11%
Gold (OZS)	1,876.64	-0.71%
ICE-US Cotton (LBS)	87.00	1.40%
Soybean (BSH)	1,508.50	-4.75%
Wheat (BSH)	680.75	-1.02%
Sugar (LBS)	17.54	-0.96%
Palm Oil (Tonne)	939.00	-8.35%
Steel (Tonne)	1,647.00	-0.36%

### 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	6.01%	9.68%	3.13%	5.80%

### Released Economic Data (G8 Countries)

Indicator	USA	UK	Eurozone	Japan
CPI (YoY)	5.00%	1.50%	2.00%	-0.40%
GDP Growth Rate	6.40%	-1.50%	-0.30%	-1.00%
Unemployment Rate	5.80%	4.80%	8.00%	2.80%
Base Rate	0.25%	0.10%	0.00%	-0.10%
Government Bond 10Y	1.45%	0.70%	0.22%	0.03%

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

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