

# Treasury Weekly



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## Currency Outlook

### USDBDT Exchange Rate

Interbank market rate showed some upward movement in the past few days with transactions taking place in the range of 84.80 up to 84.95. Driven by tighter liquidity, rising imports (mainly consumer goods) and half yearly closing requirements of USD funds, interbank market participants showed greater demand. Reserve levels are more than sufficient at USD 45.588 bio, just a year ago the figure amounted to USD 35.091 bio.

Reserves have buoyed up mainly due to remittance flows in the backdrop of lower volume of import payments, during H1 2021. However, exports have taken a hit. US apparel imports from Bangladesh dropped by 3.71% (Jan to Apr 2021). However, the Ministry of Commerce and the Export Promotion Bureau (EPB) expect Bangladesh's product and service exports to reach the USD 50 billion milestone in the upcoming FY22. This is being considered feasible keeping in mind that developed economies have started turning around after tackling the Covid-19 crisis. The Bangladesh Garment Manufacturers and Exporters Association (BGMEA) estimates that apparel exports will fetch around USD 33.7 billion in the 2021-22 financial year as the US and the EU economies rebound with mass vaccinations

**Outlook:** Market rate is expected to be somewhat volatile as half yearly closing approaches. In the long term, BDT is expected to depreciate gradually

### Global Currencies

**EURUSD 0.59% weekly change** ↑

EUR/USD rallies to 1.1960 after US data. Monthly chart implies longer-term downside momentum remains. Support and resistance level lies at 1.1847 and 1.2000.

**GBPUSD 0.51% weekly change** ↑

GBP/USD remains depressed around 1.3900, pressured by the dovish BOE's surprise offsetting the renewed weakness in the US dollar. The pair has an immediate support level at 1.3835. The next relevant resistance level is 1.4000.

**AUDUSD 1.47% weekly change** ↑

AUD/USD rallies above 0.7600. Daily RSI is rising which implies this correction may have further to run. Support and resistance level lies at 0.7550/60 and 0.7640/50.

**USDJPY 0.53% weekly change** ↑

USD/JPY set a 15-month high but then headed back. Today the pair rallies away from the 10-DMA. The bull trend off the April low is intact. Support and resistance level lies at 110.22 and 111.71.

**USDCNY 0.08% weekly change** ↑

Yuan firms against dollar, but U.S. inflation could renew downward pressure. PBOC set the midpoint rate at 6.4744, firmer than the previous fix of 6.4824. PBOC has repeatedly warned against one-way bets of the yuan.

## 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 8.72% to BDT 29.83 bio, while the weighted avg. rate increased by 15 bps to 2.32%. SNDs and repos are the more popular instruments in the market. Daily avg. repo transaction increased by 6.56% to BDT 23.94 bio, with a weighted avg. rate of 0.77%.

**Treasury Auction:** Auctions for 182D T-bill, 364 T-bill & 10Y T-bond for BDT 15, 15 & 20 bio respectively were held last week. Yield decreased by 19 bps for 182D T-bill, 23 bps for 364D T-bill and 40 bps for 10Y T-bond. Auction for 91D T-bill (BDT 15.5 bio) was held today. Yield decreased by 24 bps to 0.35%.

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

### Interest Rate

Reserve money growth has reached to BDT 316.06 bio in Apr'21 showing 4.08% upward trend from Mar'21. Poor domestic credit growth and higher broad money circulation are major contributors behind such reserve. Private sector credit growth came down to 8.29% YOY in Apr'21 whereas it 8.79% YOY in Mar'21. Since demand is dull, businesses will neither enhance their capacity nor utilize their capacity in full, thus resulting in a decline in credit demand leaving the banking system with surplus liquidity. Broad money (M2) also increased by 1.12% in Apr'21 compare to Mar'21. M2 was BDT 15.00 bio in April whereas it was BDT 14.84 bio a month ago. ADP implementation also remained weak, only 58% till July-May FY 21. Food inflation eased in May to 4.87% from 5.57% in April. On the other hand, NSC sales in Apr'21 has reduced almost double compare to Mar'21. Total outstanding of NSC sales reached to 347.28 bio in the July-April period of the current fiscal with comparison to the revised target of BDT 303.02 bio. This total sales is 14.6% higher than the revised target for FY21. It is expected to result higher figure in June due to the higher investment tendency of investors for tax rebate.

**Outlook:** Interest rate is expected to remain in downward trend due to depressed economic situation and lack of investment opportunities.

### Capital Market

- BEXIMCO group received approval of BSEC for issuing asset-backed green SUKUK bond worth BDT 30 billion for their business expansion. Out of BDT 30 billion, BDT 22.50 billion will be raised through private placements from the existing shareholders and others. The remaining BDT 7.5 billion will be raised through IPO.
- For the first time DSE has used newly introduced pro-rata basis method to allocate Sonali Life Insurance's IPO share. Company's IPO shares have been 36.45 times oversubscribed by eligible investors. Under the pro rata basis method, one eligible investor, who has applied for BDT 10,000 will get a minimum of 17 IPO shares.

## Market Synopsis

### Treasury Bill & Bond Yields

Latest Issue Date	Tenor	Latest Yield	Previous Yield
28-Jun-21	91 Days	0.35%	0.59%
21-Jun-21	182 Days	0.58%	0.77%
27-Jun-21	364 Days	1.07%	1.30%
09-Jun-21	2 Years	2.57%	2.72%
16-Jun-21	5 Years	3.88%	4.03%
23-Jun-21	10 Years	5.40%	5.80%
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
0.0961	0.1161	0.1460	0.1655	0.2493

### Capital Market

Index	Value	Weekly Change
DSEX	5,992.73	-1.26%
FTSE 100	7,136.07	1.69%
Nikkei 225	29,066.18	0.35%
Dow Jones IA	34,433.84	3.44%
S&P 500	4,280.70	2.74%

### Commodities

Commodity (unit)	Latest Price	Weekly Change
Brent Crude Oil (BBL)	76.18	3.63%
Gold (OZS)	1,780.34	0.96%
ICE-US Cotton (LBS)	86.43	2.38%
Soybean (BSH)	1,329.75	-4.75%
Wheat (BSH)	637.00	-3.89%
Sugar (LBS)	16.90	2.86%
Palm Oil (Tonne)	890.75	2.65%
Steel (Tonne)	1,664.00	0.18%

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

Indicator	India	Pakistan	China	Bangladesh
CPI (YoY)	6.30%	10.87%	1.30%	5.26%
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%	9.83%	3.09%	5.40%

### Released Economic Data (G8 Countries)

Indicator	USA	UK	Eurozone	Japan
CPI (YoY)	5.00%	2.10%	2.30%	-0.10%
GDP Growth Rate	6.40%	-1.50%	-0.30%	-1.00%
Unemployment Rate	5.80%	4.70%	8.00%	2.80%
Base Rate	0.25%	0.10%	0.00%	-0.10%
Government Bond 10Y	1.52%	0.78%	0.21%	0.06%

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

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For further information please contact:

Treasury & Financial Institutions, BRAC Bank Limited

Phone: +88028801255-60

E-mail: dealing.room@bracbank.com

Bloomberg: BRAC; REUTERS: BRAC; SWIFT: BRAKBDH