

Treasury Weekly



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Currency Outlook

USDBDT Exchange Rate

Half yearly closing showed some volatility in the market with transactions taking place up to USD/BDT 84.95. However, market is back to previous state again with interbank transactions taking place in the range of USD/BDT 84.80 to 84.8040. Banks are now selling their excess USD funds to Bangladesh Bank again. Reserves stand at USD 45.117 bio as on 7 Jul 2021.

The deficit in the current account balance narrowed by 58.0% to USD 1.8 bio in the first 11 months of the last fiscal year due to recovery in apparel exports. The government has set the export earnings target at USD 51 bio for the current fiscal year of 2021-22 (FY 22), projecting a 12.37% growth y-o-y. RMG exports to the USA grew by 15.38% to USD 2.58 bio during the period from January to May this year than that of the same period last year. On the remittance front, inflow of remittances grew by 36.1% to a record high of USD 24.8 bio in the just-concluded fiscal year (FY) despite the ongoing Covid-19 pandemic. As the economy strives to recover from the grip of the pandemic, between July and May last fiscal year, overall imports stood at USD 58.62 bio, up 17.31% from a year ago.

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

Global Currencies

EURUSD 0.10% weekly change ↑

ECB Dovish comments and USD recovery has pushed the pair to 1.1850 levels. Coronavirus updates are dampening market movement. Support and resistance are at 1.1835 and 1.1885 respectively.

GBPUSD 0.56% weekly change ↑

Thinks are looking gloomy for the pair as it slid down to 1.3850 as COVID rates remain elevated in the UK. USD strength and COVID restrictions weigh the pair down. Nearby support and resistance are at 1.3820 and 1.3880.

AUDUSD -0.43% weekly change ↓

AUD/USD slid further down to 0.7450- 0.7460 levels. Bearish movement could be extended to 0.7400 as market mood remains cautious and USD strength remains instant. On the upside, strong resistance remains at 0.7500

USDJPY -0.77% weekly change ↓

Demand in USD should assist the pair to move upwards towards 111/111.50 levels again. However COVID 19 updates send jitters across the board. If the pair takes a tumble, support remains at 109.50.

USDCNY 0.09% weekly change ↑

The People's Bank of China (PBOC) set the yuan (CNY) reference rate at 6.4785 vs the estimated 6.4739 and the previous 6.4755. Softening of the Yuan is expected in 3rd Quarter in the backdrop of hawkish Fed and balanced tone of PBOC.

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 10.52% to BDT 29.25 bio, while the weighted avg. rate increased by 17 bps to 2.39%. SNDs and repos are the more popular instruments in the market. Daily avg. repo transaction decreased by 12.33% to BDT 32.88 bio, with a weighted avg. rate of 0.76%.

Treasury Auction: Auctions for 91 D T-Bill, 182D T-bill, 364 T-bill & 2Y T-bond for BDT 25, 20, 20 & 25 bio respectively were held last week. BB took extra volume of 2.85 bio for 91 D T-bill, 14.25 bio for 182 D T-bill & 20 bio for 2 Y T-bond. Yield increased by 2 bps for 91D T-bill, 45 bps for 182D T-bill and 42 bps for 364 D T-bill. Yield decreased by 23 bps for 2 Y T-bond.

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 the persistent uncertainties imposed by the COVID-19 pandemic.

Interest Rate

Despite of several constraints, NBR could achieve 17.34% higher revenue collection in FY21 than previous year. According to the provisional data, total collection for FY 2020-21 was BDT 2.56 trillion against BDT 2.18 trillion in previous year. Revised target for FY21 was BDT 3.01 trillion. Opportunity to legalize undisclosed income and higher operating profit made by banks have helped large tax payers unit (LTU) to surpass the last year's target. Similarly, net sales of national saving certificate has showed 23.38% higher sales in Jul-May period of FY-21 against the revised target of BDT 303.02 bio. Net sales recorded for Jul-May period of FY-21 is BDT 373.86 bio. A plunge in interest rate against savings products was the main reason for the surge in the sales of NSC.

Contrary, Private sector credit growth plunged significantly in May-21 and reached to 7.55% on YOY basis. It was 8.29% a month ago. Ongoing third wave of COVID19 along with deepening uncertainty pushed down the credit growth in last couple of months. Both businessmen and banks are in cautious mode to avoid financial risk caused for such pandemic.

Outlook: Higher growth of NSC sales and lower private sector credit growth is expected to keep stability in wholesale market which will ultimately help interest rate to remain in current downward trend.

Capital Market

- To popularize SUKUK, Government is going to announce an income tax waiver for SPV and source tax waiver for all transactions between SPV and originator to reduce overall issuance cost and to make Sukuk more popular.
- BSEC has asked all listed companies, brokerage house and merchants banks to transfer unclaimed or unsettled or undistributed dividend in cash or non-refunded public subscription money or others for a period of 3 (from declaration or approval or record date) to Capital Market Stabilization fund by July 30. As per data of DSE and CSE, 335 listed companies have unclaimed cash dividend of BDT 9.65 bio and unsettled stock dividends worth BDT 199.85 bio.

Market Synopsis

Treasury Bill & Bond Yields

Latest Issue Date	Tenor	Latest Yield	Previous Yield
12-Jul-21	91 Days	0.75%	0.77%
08-Jul-21	182 Days	1.03%	0.58%
12-Jul-21	364 Days	1.49%	1.07%
07-Jul-21	2 Years	2.34%	2.57%
16-Jun-21	5 Years	3.88%	4.03%
23-Jun-21	10 Years	5.40%	5.80%
27-May-21	15 Years	5.85%	6.19%
27-May-21	20 Years	6.07%	6.74%

USD LIBOR

1M	2M	3M	6M	1Y
0.10013	0.11725	0.12863	0.15100	0.23888

Capital Market

Index	Value	Weekly Change
DSEX	6,208.39	3.60%
FTSE 100	7,085.40	-0.71%
Nikkei 225	28,569.02	-1.71%
Dow Jones IA	34,870.16	1.27%
S&P 500	4,369.55	2.08%

Commodities

Commodity (unit)	Latest Price	Weekly Change
Brent Crude Oil (BBL)	75.55	-0.83%
Gold (OZS)	1,807.98	1.55%
ICE-US Cotton (LBS)	88.07	1.90%
Soybean (BSH)	1,408.75	5.94%
Wheat (BSH)	609.00	-4.40%
Sugar (LBS)	17.28	2.25%
Palm Oil (Tonne)	974.21	9.37%
Steel (Tonne)	1,790.00	7.57%

Released Economic Data (South Asia & China)

Indicator	India	Pakistan	China	Bangladesh
CPI (YoY)	6.30%	9.70%	1.10%	5.26%
GDP Annual Growth Rate	1.60%	-0.47%	18.30%	5.24%
Policy Repo Rate	4.00%	7.00%	3.85%	4.75%
Government Bond 10Y	6.223%	9.86%	2.956%	5.40%

Released Economic Data (G8 Countries)

Indicator	USA	UK	Eurozone	Japan
CPI (YoY)	5.00%	2.10%	1.90%	-0.10%
GDP Growth Rate	6.40%	-1.60%	-0.30%	-1.00%
Unemployment Rate	5.90%	4.70%	7.90%	3.00%
Base Rate	0.25%	0.10%	0.00%	-0.10%
Government Bond 10Y	1.3443%	0.634%	0.09%	0.029%

*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