

## Currency Outlook

### USDBDT Exchange Rate

Banks are continuing sale of excess USD funds to Bangladesh Bank. From 01 Jul 2021 till date, banks have sold USD 125 mio to Bangladesh Bank at 84.80. In the interbank market, transactions are taking place in the range of 84.80 to 84.8010. Bangladesh Bank FX reserve levels remain buoyant at USD 45.389 bio (as on 14 Jul 2021). Just a year ago, the figure stood at USD 35.917 bio. Forward transactions are taking place from USD/BDT 84.80 up to USD/BDT 84.8120 in the interbank market.

Exports have taken a serious hit due to the shutdown. Apparel buyers and exporters have expressed fear they will incur massive losses if on-time shipments cannot be ensured. However, exports to SAARC countries pose as a silver lining, increasing rapidly to USD 1.49 bio in the past fiscal year. The government released BDT 17 billion for the payment of cash incentives to local exporters on their earnings. On the remittance side, 36.1% growth was achieved in the just concluded fiscal year despite the pandemic.

**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 -0.51% weekly change** ↓

Euro/dollar is suffering from downside momentum and has slipped back to 1.1800. Immediate support is at 1.1770 followed by 1.1740. EUR/USD has resistance at 1.1850, followed by 1.1880.

**GBPUSD -0.94% weekly change** ↓

Sterling breaks below weeks low at 1.38, falls to 1.3774 after above forecast US retail sales. Support awaits at 1.3750, and then by 1.3730. Some resistance is at 1.3860, followed by 1.3910.

**AUDUSD -1.20% weekly change** ↓

AUD/USD falls to a 7-month low after support near 0.7400 gets pierced and Follow through is limited. Support awaits at 0.7378, and then by 0.7358. And resistance is at 0.7431, followed by 0.7464.

**USDJPY -0.05% weekly change** ↓

USD/JPY gained some traction after the BoJ lowered its growth forecast for the current fiscal. Rebounding US bond yields underpinned the USD and remained supportive of the modest uptick. Support awaits at 109.74, and then by 109.43. And resistance is at 110.35, followed by 110.65.

**USDCNY 0% weekly change** ↔

China's yuan eased on Friday against a dollar strengthened by expectations for faster U.S. interest rate hikes and safe haven demand from investors globally due to worries about resurgences of coronavirus infections overseas. FRX/ 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 increased by 0.26% to BDT 29.33 bio, while the weighted avg. rate decreased by 16 bps to 2.23%. SNDs and repos are the more popular instruments in the market. Daily avg. repo transaction decreased by 0.34% to BDT 28.95 bio, with a weighted avg. rate of 0.76%.

**Treasury Auction:** Auctions for 91 D T-Bill, 182D T-bill & 5Y T-bond for BDT 10, 10 & 25 bio respectively were held last week. Yield decreased by 12 bps for 91D T-bill, 16 bps for 182D T-bill and increased by 4 bps for 5Y 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

Simultaneous impact of lower ADP implementation, higher sales of savings certificate and higher foreign loan inflow pushed government's bank borrowing to go down in FY21. The aggregate net borrowing from banks dropped by nearly 64% to 260.78 bio in FY 21 from BDT 722.46 bio a year before. Net borrowing of FY21 was 67% lower than revised target which was BDT 797.49 bio. Actual target was BDT 849.80 bio.

Governments net borrowing through national saving certificate jumped by 239.53% or BDT 263.75 bio to BDT 373.86 bio during Jul-May period of FY21 from BDT 110.11 bio in the same period of previous fiscal year. As weighted average deposit rate in banking sector came down below 5%, savers were more interested to grab higher yielded tool which gives them more than 11%. Weighted average interest rate of deposit fell to 4.14% in May21 from 4.36% a month earlier.

On the other hand, due to the poor fund utilization capacity by different government agencies amid pandemic, ADP implementation rate reach up to 58.36% only. Government has set to borrow BDT 76.45 bio in FY22 target from banking industry for running fiscal year which is 6.39% lower than revised target of FY21.

**Outlook:** Interest rate is expected to remain downward if poor ADP implementation and lower government borrowing from banking channel persists.

### Capital Market

- DSE has included Lub-rref (Bangladesh) and NRB Commercial Bank to its key index (DSEX). With this inclusion total number of companies in DSEX will be 309. Prime bourse rebalanced its DS30 index by adding Robi Axiata, National bank and delta life insurance and dropping national life insurance, IFIC bank and Padma oil.
- The prime index of the Dhaka Stock Exchange (DSE) surpassed the 6,300-mark on Thursday after more than 42 months, as buying binge added strength to the equity indices despite virus worries.

## Market Synopsis

### Treasury Bill & Bond Yields

Latest Issue Date	Tenor	Latest Yield	Previous Yield
18-Jul-21	91 Days	0.63%	0.75%
18-Jul-21	182 Days	0.87%	1.03%
12-Jul-21	364 Days	1.49%	1.07%
07-Jul-21	2 Years	2.34%	2.57%
14-Jul-21	5 Years	3.92%	3.88%
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
0.08363	0.11075	0.13425	0.15213	0.24213

### Capital Market

Index	Value	Weekly Change
DSEX	6,365.11	2.52%
FTSE 100	7,008.09	-1.09%
Nikkei 225	28,003.08	-1.98%
Dow Jones IA	34,687.85	-0.52%
S&P 500	4,327.16	-0.97%

### Commodities

Commodity (unit)	Latest Price	Weekly Change
Brent Crude Oil (BBL)	73.59	-2.59%
Gold (OZS)	1,812.89	0.27%
ICE-US Cotton (LBS)	90.70	2.99%
Soybean (BSH)	1,454.75	3.27%
Wheat (BSH)	692.50	13.71%
Sugar (LBS)	17.71	2.49%
Palm Oil (Tonne)	1,021.75	4.88%
Steel (Tonne)	1,780.00	-0.56%

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

Indicator	India	Pakistan	China	Bangladesh
CPI (YoY)	6.26%	9.70%	1.10%	5.64%
GDP Annual Growth Rate	1.60%	-0.47%	7.90%	5.24%
Policy Repo Rate	4.00%	7.00%	3.85%	4.75%
Government Bond 10Y	6.13%	9.856%	2.954%	5.40%

### Released Economic Data (G8 Countries)

Indicator	USA	UK	Eurozone	Japan
CPI (YoY)	5.40%	2.50%	1.90%	-0.10%
GDP Growth Rate	6.40%	-1.60%	-0.30%	-1.00%
Unemployment Rate	5.90%	4.80%	7.90%	3.00%
Base Rate	0.25%	0.10%	0.00%	-0.10%
Government Bond 10Y	1.3003%	0.629%	0.09%	0.024%

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

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