

Currency Outlook

USDBDT Exchange Rate

In the interbank market, the rate is moving upwards slightly as banks are showing demand for the greenback to settle their import payments. Transactions in the market are taking place in the range of 84.80 to 84.84. Post Eid, banks have not sold USD to Bangladesh Bank. Bangladesh Bank FX reserve was at USD 45.896 bio (as on 3 Aug 2021).

Import payment pressure is evident from trade deficit figures. It widened by nearly 28.0% in the just-concluded fiscal year for higher import-payment pressure on the economy amid lower receipts from external trade. While import expenses jumped by nearly 20.0% while export earnings recorded over 15% growth in FY '21. Remittance has taken a hit as well. The flow of inward remittances dropped by 28.0% to USD 1.9 billion in July this year when compared to the corresponding period of last year (BB data) and remittance is expected to decline further, gradually returning to pre-pandemic trend.

Outlook: Exchange rate is expected to move upwards gradually in the backdrop of slower flows of remittance inflows and export volume against imports. In the long term, BDT is expected to depreciate gradually against the USD.

Global Currencies

EURUSD -0.93% weekly change ↓

EUR/USD is trading on the back foot above 1.1750, licking its wounds after Friday's US NFP jobs blowout induced sell-off. The next relevant support near the 1.1610-1.1600 horizontal zone. On the flip side, the 1.1800 round-figure mark now seems to act as immediate strong resistance.

GBPUSD -0.22% weekly change ↓

GBP/USD is rising back towards 1.3900 as the US dollar consolidates the recent upside amid the downbeat market mood. The pair might extend the downward trajectory towards the 1.3765-60 support zone. On the flip side, resistance near the 1.3900/20 level.

AUDUSD 0.14% weekly change ↑

The AUD/USD pair remained on the defensive below mid-0.7300s. AUD/USD was pressured by rising bets for an earlier Fed taper, rallying US bond yields. Support level around at 0.7288 and resistance at 0.7410.

USDJPY 0.50% weekly change ↑

USD/JPY trades with modest losses, holds above 110.00 mark. The pair remarkably moved from the lows of 108.70 to touch the high near 110.40 in the last trading week. Support level around at 109.50 and resistance at 110.80.

USDCNY 0.33% weekly change ↑

USD/CNY rises 0.1% Monday after 0.3% rally Friday on strong U.S. jobs data. China export growth slows in July, may signal more bumps ahead. Resistance at 6.4900/6.5000 and support at 6.4700/6.4500 level.

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Money Market and Interest Rate

Money Market

Call money market continued its liquid position in last week. Avg. call money transaction decreased by 7.45% to BDT 31.25 bio from BDT 33.78 bio, while the weighted avg. rate increased by 9 bps to 2.21%. From 2.12% Avg. repo transaction of last week was BDT 85.95 bio with a weighted avg. rate of 0.78%. **Auction:** 91D T-bill, 182D T-bill and 2Y T-bond held in last week. Yield decreased by 07 bps, 15 bps, and 1 bps respectively. Bangladesh bank has announced auction calendar for BB bill of 7 days, 14 days and 30 days to control the market liquidity. Today, auction for 7D T-bill & 14D T-bill for BDT 10,000 Cr. each auction was held. Cut off for 7D T-bill & 14 D T-bill were 0.54% & 0.75% respectively.

Outlook: Short term money market is expected to be slightly volatile due to the Bangladesh bank bill auction as market liquidity will be reduced for at least certain period of time.

Interest Rate

As stated in the monetary policy, Bangladesh bank has come forward with monetary tool, Bangladesh Bank (BB) bill, to mop up excess liquidity from the market with 7, 14 and 30 days BB bill auction. Starting from 9 August, there will be total 9 auctions in August. Today Bangladesh Bank took away BDT 2.6 bio through 7 and 14 days auction. Total excess liquidity in banking sector stood at BDT 2.39 bio in June. As a result, NSC was the only hope for savers. Subsequently, NSC sales shoot up and reach to BDT 0.374 bio in first 11 months of last fiscal year. It's almost three times more sales than FY20. Net sales of FY20 was BDT 0.144 bio. In its expansionary monetary policy, central bank mentioned to take required steps to control such surplus liquidity pressure, price pressure, asset bubble pressure and most importantly inflationary pressure. Recorded inflation rate in FY21 was 5.56%, overshooting the government's target of 5.40%.

Bangladesh Bank nailed another pin to banking sector by defining floor/benchmark rate while fixing deposit rates to ensure positive real return on deposit for the savers. On 08 August, the regulator issued a circular instructing banks not to fix deposit rate below inflation rate for 3 months and above fixed deposit accounts, while keeping maximum lending rate fixed at 9%.

Outlook: Interest rate is expected to move slightly upward due to the steps for liquidity mop up and deposit rate fix up.

Capital Market

1. BSEC approved PRAN agro limited to float non-convertible coupon bearing green bond worth of BDT 1.5 billion through private placement. Coupon rate of this bond is 9%. Fund will be utilized for capital and liquidity strengthening.

2. Premier bank and One bank decided to issue perpetual bond of BDT 4.00 bio and subordinate bond of BDT 6.00 bio respectively. Both banks will use this fund to strengthen their capital base.

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Market Synopsis

Treasury Bill & Bond Yields

Latest Issue Date	Tenor	Latest Yield	Previous Yield
9-Aug-21	7 days	0.54%	-
9-Aug-21	14 Days	0.75%	-
-	30 Days	-	-
6-Aug-21	91 Days	0.48%	0.55%
6-Aug-21	182 Days	0.72%	0.87%
2-Aug-21	364 Days	1.24%	1.49%
4-Aug-21	2 Years	2.33%	2.34%
14-Jul-21	5 Years	3.92%	3.88%
23-Jun-21	10 Years	5.40%	5.80%
28-Jun-21	15 Years	5.65%	5.85%
28-Jun-21	20 Years	6.05%	6.07%

Capital Market

Index	Value	Weekly %
DSEX	6,628.00	2.27%
FTSE 100	7,093.54	-0.07%
Nikkei 225	27,820.04	0.14%
Dow Jones IA	35,208.51	0.78%
S&P 500	4,436.52	0.94%

USD LIBOR

Tenor	LIBOR
1M	6,628.00
2M	7,093.54
3M	27,820.04
6M	35,208.51
1Y	4,436.52

Commodities

Commodity (unit)	Latest Price	Weekly Change
Brent Crude Oil (BBL)	70.70	-7.38%
Gold (OZS)	1,762.69	-2.81%
ICE-US Cotton (LBS)	92.42	2.88%
Soybean (BSH)	1,422.25	2.53%
Wheat (BSH)	719.00	2.17%
Sugar (LBS)	18.68	4.30%
Palm Oil (Tonne)	1,052.75	0.06%
Steel (Tonne)	1,885.00	-0.16%

Released Economic Data (South Asia & China)

Indicator	India	Pakistan	China	Bangladesh
CPI (YoY)	6.26%	8.40%	1.10%	5.64%
GDP Annual Growth Rate	1.60%	3.94%	7.90%	5.24%
Policy Repo Rate	4.00%	7.00%	3.85%	4.75%
Government Bond 10Y	6.22%	9.83%	2.87%	5.40%

Released Economic Data (G8 Countries)

Indicator	USA	UK	Eurozone	Japan
CPI (YoY)	5.40%	2.50%	2.20%	0.20%
GDP Growth Rate	6.50%	-1.60%	2.00%	-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	1.28%	0.58%	0.18%	0.03%

*10-Year Eurozone Central Government Bond Par Yield Curve