

# Treasury Weekly



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## Currency Outlook

### USDBDT Exchange Rate

Bangladesh's trade deficit hit an all-time high of USD 22.27 billion last fiscal year due to a rise in commodity prices in the global market. However, it is not expected to have an adverse impact for the time being yet considering current reserve levels. Both export and remittance decreased in July '21 by 27.97% and 11.19% YOY, while import continued the growth momentum. Import of raw materials for the manufacture of garments, the country's prime export item, increased substantially during the period. Import of intermediate goods, which includes raw cotton, yarn, textile and dyeing and tanning materials, stood at \$13.02 billion, up 9.14 per cent year-on-year.

In the interbank market, banks are still showing good demand to buy the greenback to meet payments. Transactions in the market are taking place in the range of 84.80 to 84.88. Post Eid, banks have not sold USD to Bangladesh Bank. Bangladesh Bank FX reserve was at USD 45.991 bio (as on 11 Aug 2021).

**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** ↑

Although initial upbeat, the pair has had a slight stumble due to safe haven USD gaining ground and the spread of the delta variant. 1.1700 may be tested again. Support for the pair remains at 1.1705 while resistance is at 1.1830.

**GBPUSD -0.22% weekly change** ↑

Upside movement for this pair is capped at 1.3875. Daily chart shows a double top giving further impetus for downward movement. However downside for the pair may also be limited due to declining trend of new COVID-19 cases in the UK. Support levels are at 1.3730.

**AUDUSD 0.14% weekly change** ↑

Downtrend prevails for the pair as it struggled to sustain above 0.7350 currently trading at 0.7331. Weak Chinese data along with tighter USD index movement could lead the pair to fall further to 0.7310. Resistance at 0.7394

**USDJPY 0.50% weekly change** ↓

The pair has taken a big tumble and currently trading at 109.155. Updates on COVID-19 benefitted the safe-haven JPY and continued exerting pressure on the pair. Pick up in demand for USD may limit further slide. Next big support is at 107.42 (Daily SMA 200)

**USDCNY 0.33% weekly change** ↓

The People's Bank of China (PBOC) set the yuan (CNY) reference rate at 6.4717 vs the estimated 6.4684 and the previous 6.4831. Covid 19 jitters, USD gains and disappointing Chinese data continue to affect the pair.

## Money Market and Interest Rate

### Money Market

Due to central bank open market operation through BB bill auction, the wholesale market rates moved slightly up. Call money transaction volume increased as banks are more comfortable to remain in short tenor and rate went up to 1.25%, which was stuck at 1% last week. Weighted avg. repo rate became 0.78%, while it was 0.75% earlier.

**Auction:** 91D T-bill, 364D T-bill and 5Y T-bond held in last week. Yield increased by 142 bps, 176 bps and 31 bps respectively. Bangladesh However, BB did not accept any bid for auction for 7D BB-bill & 14D BB-bill held on 16 Aug.

**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 per liquidity management strategy, Bangladesh bank has wiped out BDT 86.75 billion last week through different tenured Bangladesh Bank bill. Among three types of BB bill, Bangladesh bank took BDT 15.00 bio through 7 days, BDT 11.05 bio through 14 days and BDT 60.07 bio through 30 days bill in which 15.00 bio already came back in market as 7 days BB bill was matured on 16 Aug. On the other hand, BB has rejected the plea of banks to lift the floor for fixing retail deposit rates. So, deposit rate for individual customer for 3 months and above tenors will remain tagged with inflation rate. According to central bank data, only 30% of the deposit in banking channel will come under this benchmarking.

Inflation rate for Jul'21 has dropped 28 bps compare to Jun'21 and came down to 5.36% from 5.64%. Both food and non-food inflation helped to bring down the consumer price index. Food inflation fell down to 5.08%, down 37 bps from previous level. Non-food inflation declined by 14 bps and came down to 5.80%. As deposit rate is tagged with inflation as per BB's latest circular, deposit rate is expected to increase in coming months. All other investment tool's rate is expected to match with new deposit rates gradually unless regulators comes up with any new policy/circular.

**Outlook:** Interest rate is expected to move upward as setting up floor for deposit rate will trigger overall interest rates to go up.

### Capital Market

1. All three indices of DSE and market capitalization surged to record high in Thursday showing investor's positive sentiment towards positive market momentum. DSEX, DSE30 and DSES jumped by 76.07 bps, 29.91 bps and 14.96 bps respectively. Market capitalization hit a fresh all time high at BDT 5.478 trio.

2. Due to pandemic situation, BSEC has kept the existing margin loan ratio unchanged in their latest announcement of fresh range of board index. If board index of the premier bourse exists below 8000 points, margin loan ratio will be 1:0.8. If DSEX crosses 8001 or above, margin ratio would be 1:0.5.

## Market Synopsis

### Treasury Bill & Bond Yields

Latest Issue Date	Tenor	Latest Yield	Previous Yield
9-Aug-21	7 days (BB Bill)	0.54%	-
9-Aug-21	14 Days (BB Bill)	0.75%	-
11-Aug-21	30 Days (BB Bill)	1.25%	-
12-Aug-21	91 Days	1.90%	0.48%
9-Aug-21	182 Days	0.72%	0.87%
12-Aug-21	364 Days	3.00%	1.24%
5-Aug-21	2 Years	2.33%	2.34%
11-Aug-21	5 Years	4.23%	3.92%
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	6,748.92	1.82%
FTSE 100	7,149.24	0.79%
Nikkei 225	27,523.19	-1.07%
Dow Jones IA	35,515.38	0.87%
S&P 500	4,468.00	0.71%

### USD LIBOR

Tenor	LIBOR
1M	0.0928
2M	0.1066
3M	0.1243
6M	0.1566
1Y	0.2388

### Commodities

Commodity (unit)	Latest Price	Weekly Change
Brent Crude Oil (BBL)	70.59	-0.16%
Gold (OZS)	1,780.00	0.98%
ICE-US Cotton (LBS)	95.21	3.00%
Soybean (BSH)	1,424.25	3.14%
Wheat (BSH)	762.25	3.00%
Sugar (LBS)	19.95	3.80%
Palm Oil (Tonne)	1,101.00	4.58%
Steel (Tonne)	1,880.00	-0.27%

### 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%	3.80%
Policy Repo Rate	4.00%	7.00%	3.85%	4.75%
Government Bond 10Y	6.24%	9.80%	2.89%	6.05%

### 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%	4.80%	2.00%	0.30%
Unemployment Rate	5.40%	4.80%	7.70%	2.90%
Base Rate	0.25%	0.10%	0.00%	-0.10%
Government Bond 10Y	1.27%	0.58%	0.18%	0.02%

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

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