

# Treasury Weekly



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## Currency Outlook

### USDBDT Exchange Rate

Bangladesh Bank has started to sell USD again in the market to help interbank market to meet import payment requirements. Last week, Bangladesh Bank sold USD 51 mio to Banks. Import payments rate has increased to USD/BDT 85.20, whereas just a week ago the rate was USD/BDT 84.95. The interbank market transactions took place up to USD/BDT 85.10 (till 19 Aug 2021). Provisional figures of June 21 shows imports have increased almost 45% y-o-y.

Foreign exchange reserves of the country stand at a satisfactory level of USD 46.604 bio, sufficient to cover more than 7 months of import payments. The government is set to provide outbound investment opportunities to local exporters, NGOs and any company running their business in the domestic market for 10 years. Such companies will be allowed with outbound investments to enlist in foreign stock markets too. However, Bangladesh's total outbound investment in a single fiscal year will not exceed 5% of the central bank's foreign exchange reserves for that particular fiscal year. BIDA is in process for drafting "Overseas Investment Guideline 2021" in this regard.

**Outlook:** Exchange rate is expected to move upwards in the backdrop of slower flows of remittance and exports against rising imports.

### Global Currencies

#### EURUSD -0.76% weekly change ↓

EUR/USD has failed to recover from the Federal Reserve's blow. Growing worries about the Delta covid variant will likely trigger more safe-haven flows to the dollar. Support awaits at 1.1666/1.1610. Resistance is at 1.17, followed by 1.1720 and 1.1740.

#### GBPUSD -1.73% weekly change ↓

GBP/USD is trading close to 1.36, under pressure as the dollar is benefiting from safe-haven flows. Speculation about Fed tapering continues. Ahead of 1.3560, the initial cushion is at 1.3595. Looking up, some resistance is at 1.3630 and further above 1.3725

#### AUDUSD -3.26% weekly change ↓

AUD/USD prolonged its recent bearish trajectory and dropped to fresh multi-month lows. Sustained weakness below the 0.7100 mark will set the stage for additional near-term losses. Support remains at 0.7030/50 and resistance at 0.7150/0.7200 level.

#### USDJPY 0.50% weekly change ↑

The USD/JPY pair trades near its high but lacks bullish momentum. Bulls may have better chances if the pair extends its advance beyond 109.95. Support levels are 109.50 and 109.05, Resistance levels are 109.95 and 110.35

#### USDCNY 0.37% weekly change ↑

USD/CNY takes off above 6.5000 and remains bullish, as SSEC slumps 1.7%. PBOC fixed USD/CNY 6.4971 from previous 6.4853. Support levels are 6.4950 and 6.4900, Resistance levels are 6.5050 and 6.5100.

## Money Market and Interest Rate

### Money Market

Due to central bank open market operations through BB bill auction, the wholesale market rates moved slightly up. However, money market continued to be sufficiently liquid. Call money transaction volume increased substantially as banks are more comfortable to hold their position in short tenor MM instruments and weighted avg. rate decreased by 47 bps. Cancellation of BB bill auction played a major role in decreasing the weighted avg. call rate to 1% from 1.25%. Interbank repo transaction volume has shot up by 68% as repo has become cheaper compared to call and snd. Weighted avg. repo rate has increased by 28bps compared to last week.

**Auction:** 91D T-bill, 182D T-bill and 10Y T-bond auction held in last week & yield decreased by 11 bps, increased by 118 bps and increased by 56 bps 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

Although the central bank took BDT 86.75 bio in the first two auctions of BB- bill, outstanding is BDT 71.75 bio now due to maturity of 7 days bill. BB did not want to absorb additional idle money from the banking system by auctioning bills as banks perceived the yields too low compared to the inflation pegged deposit rate. Banks participated in the auction of 7-day and 14-day bills with an offer of BDT 46.9 bio in total. But the central bank did not accept any bid on the third auction as banks demanded higher yields. As the excess liquidity has almost doubled in the last year, it has impacted inflation rate adversely. The inflation rate was recorded at 5.56% in FY21, overshooting the government's target of 5.4%. In June this year, inflation was 5.64% - the highest in the last eight months. However, if USD selling by BB to inter-bank participants continues, excess BDT liquidity will decrease eventually.

Tax revenue collection recorded 21% growth in FY 2020-21 over the previous FY. Greater mobilization of corporate and withholding tax contributed most. However, the collection fell short of the target by BDT 411.18 billion. NBR collected BDT 2.61 trillion in tax revenue in FY 2020-21 against the revised target of BDT 3.01 trillion.

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

### Capital Market

- BSEC has initiated a move to reinstate its rules that would make it mandatory for companies with paid-up capital of more than BDT 500 million to be listed on the country's stock exchanges. The country's capital market has been going through a dry spell of initial public offerings in recent times.

- The daily trade turnover on the Dhaka Stock Exchange soared to a fresh high in about 11 years on 16th Aug 2021. Turnover stood at BDT 29.54 billion on DSE with the biggest single-day transaction since Dec5, 2010.

## 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%	-
18-Aug-21	91 Days	1.79%	1.90%
18-Aug-21	182 Days	1.90%	0.72%
16-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%
18-Aug-21	10 Years	5.96%	5.40%
28-Jun-21	15 Years	5.65%	5.85%
28-Jun-21	20 Years	6.05%	6.07%

### Capital Market

Index	Value	Weekly %
DSEX	6,842.23	3.23%
FTSE 100	7,087.90	-0.08%
Nikkei 225	27,013.25	-2.90%
Dow Jones IA	35,120.08	-0.25%
S&P 500	4,441.67	0.12%

### USD LIBOR

Tenor	LIBOR
1M	0.08588
2M	0.10063
3M	0.12838
6M	0.15263
1Y	0.23663

### Commodities

Commodity (unit)	Latest Price	Weekly Change
Brent Crude Oil (BBL)	65.18	-7.66%
Gold (OZS)	1,780.86	0.10%
ICE-US Cotton (LBS)	93.90	-1.38%
Soybean (BSH)	1,293.75	-9.16%
Wheat (BSH)	714.25	-6.30%
Sugar (LBS)	19.58	-1.85%
Palm Oil (Tonne)	1,064.75	-0.91%
Steel (Tonne)	1,880.00	0.00%

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

Indicator	India	Pakistan	China	Bangladesh
CPI (YoY)	5.59%	8.40%	1.00%	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	6.234%	9.802%	2.853%	5.96%

### Released Economic Data (G8 Countries)

Indicator	USA	UK	Eurozone	Japan
CPI (YoY)	5.40%	2.00%	2.20%	-0.30%
GDP Growth Rate	6.50%	4.80%	2.00%	0.30%
Unemployment Rate	5.40%	4.70%	7.70%	2.90%
Base Rate	0.25%	0.10%	0.00%	-0.10%
Government Bond 10Y	1.255%	0.529%	-0.07%	0.03%

\*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