

Currency Outlook

USDBDT Exchange Rate

Foreign exchange reserves of the country rose to USD 48.029 bio on 25 Aug 2021, an all time high. The central bank received USD 1.45 bio from the IMF which helped to boost reserve figures. The fund was received as general allocation of Special Drawing Right (SDR). The newly created SDRs of the IMF are aimed to help most vulnerable countries struggling to cope with the impact of the Covid-19 crisis.

In the interbank market, banks are still showing demand to purchase greenback from the central bank to support their foreign currency payments. A decline in remittance growth and increase in import payments are fuelling USD demand. From 16 Aug 2021 till date, Bangladesh Bank has sold USD 316 mio to various banks (BAFEDA). Currently the rate for import settlements stands at USD/BDT 85.25. In the interbank market, transactions are taking place at USD/BDT 85.20, showing BDT depreciation of 0.46% m-o-m. Remittance flows to Bangladesh declined to a five-month low of USD 1.87 billion in July, down 28% y-o-y and 4% from a month ago. If remittance flows continue to decline, further Central bank intervention is expected in the coming days.

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

Global Currencies

EURUSD 0.77% weekly change ↑

EUR/USD is trading closer to 1.18, buoyed by Fed Chair Jerome Powell's comments that there has been progress on employment but also that the virus is spreading. Resistance awaits at 1.1780, followed by 1.1825. Support is at 1.1740, followed by 1.1695.

GBPUSD 1.03% weekly change ↑

GBP/USD is trading above 1.3750 but under pressure due to Brexit-related issues and rising UK covid cases. Support awaits at 1.3680, followed by 1.3635. Resistance is at 1.3785, further above 1.3825.

AUDUSD 2.52% weekly change ↑

AUD/USD continues to push higher. Broad-based USD weakness is providing a boost to AUD/USD. Support awaits at 0.7263, followed by 0.7221. Resistance is at 0.7373, further above 0.7399.

USDJPY 0.02% weekly change ↑

USD/JPY seesawed between tepid gains/minor losses. Investors now seemed reluctant to place fresh bets ahead of Fed Chair Jerome Powell's speech. A sustained move beyond a one week old trading range should pave the way for additional gains. Support awaits at 109.75, followed by 109.50. Resistance is at 110.80, further above 111.00.

USDCNY -0.46% weekly change ↓

USD/CNH-After Powell yuan longs take charge. After peaking on Aug 20 USD/CNH sank near 6.4640 then entered consolidation. USD/CNH shorts now target short-term structural support near 6.4485/90. on reverse side it is 6.5000/5100 level.

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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 decreased slightly as banks are more comfortable to hold their position in short tenor MM instruments and weighted avg. rate decreased by 1 bps compared to last week. Interbank repo transaction volume decreased by 17% after massive increase in repo volume last week. Weighted avg. repo rate has decreased by 12 bps compared to last week. Last week, BB sold \$265 mio and mopped up BDT 2257.5 Cr.

Auction: All treasury bill/bond auctions was cancelled last week. 7D BB-bill, 14D BB-bill & 30D BB-bill was held last week; yield increased by 45 bps, 50 bps and 10 bps respectively.

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

Interest Rate

Due to a surplus balance, the government has halted all bank borrowing through treasury instruments until 31 August. Surplus Liquidity in government accounts stood at BDT 110bn as of 22 August (rising more than BDT50bn in 6 days). This was attributed to higher revenue collection of BDT 2.61 Trn (tax revenue was 2.18 Trn in FY 20), higher sales of NSC which tripled YoY in FY21 to BDT420bn (more than double the target of BDT200bn) and weak ADP implementation in July of 1.14% (implementation was 1.52% in July 2020, expenditure is down by 17% YoY), Although, ADP spending characteristically picked up in June 2021 (+8% YoY), full-year implementation rates are notably lower than the normal levels of around 90%.

BB started to inject USD into the market in response to the taka depreciation as a result of higher import payments. The central bank has more than enough capacity to maintain a stable exchange rate at current forex reserves levels. Overall, money market conditions will directly depend on how the external side shapes up, a healthy or surplus external balance will keep the money market liquid.

Outlook: Interest rate is expected to move slightly upward due to open market operation and deposit rate floor imposed by BB.

Capital Market

- The first board of governors for the Capital Market Stabilization Fund has been approved by BSEC. The fund has been set up to support the country's stock market alongside settling investors' claims on undistributed or unsettled dividends
- Due to unenthusiastic response from investors, Beximco's Sukuk Bond IPO subscription for BDT 7.50 billion has been extended till September 6
- BSEC has turned down the listed companies' association plea for waiving payments of accrued interest gained from undistributed dividends or un-refunded public-subscription funds.

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

Market Synopsis

Treasury Bill & Bond Yields

Latest Issue Date	Tenor	Latest Yield	Previous Yield
25-Aug-21	7 days (BB Bill)	0.99%	0.54%
25-Aug-21	14 Days (BB Bill)	1.25%	0.75%
23-Aug-21	30 Days (BB Bill)	1.49%	1.35%
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	6,748.92	1.82%
FTSE 100	7,148.01	0.77%
Nikkei 225	27,641.14	-0.64%
Dow Jones IA	35,515.38	0.87%
S&P 500	4,509.37	1.64%

USD LIBOR

Tenor	LIBOR
1M	0.0860
2M	0.0981
3M	0.1199
6M	0.1548
1Y	0.2351

Commodities

Commodity (unit)	Latest Price	Weekly Change
Brent Crude Oil (BBL)	72.70	11.54%
Gold (OZS)	1,816.67	2.01%
ICE-US Cotton (LBS)	96.27	2.52%
Soybean (BSH)	1,359.25	5.06%
Wheat (BSH)	718.50	0.60%
Sugar (LBS)	20.04	2.35%
Palm Oil (Tonne)	1,088.50	2.23%
Steel (Tonne)	1,941.00	3.24%

Released Economic Data (South Asia & China)

Indicator	India	Pakistan	China	Bangladesh
CPI (YoY)	5.59%	8.40%	1.00%	5.36%
GDP Annual Growth Rate	1.60%	3.94%	7.90%	5.47%
Policy Repo Rate	4.00%	7.00%	3.85%	4.75%
Government Bond 10Y	6.25%	9.80%	2.91%	5.96%

Released Economic Data (G8 Countries)

Indicator	USA	UK	Eurozone	Japan
CPI (YoY)	5.40%	2.00%	2.20%	0.20%
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	1.31%	0.58%	-0.01%	0.03%

*10-Year Eurozone Central Government Bond Par Yield Curve