

Treasury Weekly



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Currency Outlook

USDBDT Exchange Rate

High import expenditure coupled with low remittance inflow have pushed up the price of the US dollar against the local currency. In Jul 2021, Bangladesh's imports registered a 21.63% growth while the growth in exports was negative 11.19%. Trade deficit widened by USD 1.25 bn in July 2021 (up 21.6% YoY to USD 4.8 bn). The inflow of remittance from expatriate Bangladeshis dropped by 19.3% year-on-year in the first two months of this fiscal year. The new Fiscal year started with a positive Current account balance of USD 336 mio as of July 2021.

Large corporate houses are approaching banks for early settlement of payments or hedging of upcoming payments through FX forwards. This is providing impetus for the rate to move upwards and fuelling the demand for the greenback.

Currently in the interbank market USD is being traded at 85.20 BDT while the rate for settlement of import payments stands at USD/BDT 85.25. Bangladesh Bank is continuing its sale of USD to banks From Aug 16, 2021 to Sep 02, 2021 Bangladesh Bank sold USD 486 mio to banks

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 bulls cheer tepid US employment data. The pair holds on to weekly gains after topping out at 1.1908. Resistance is at 1.1950, further above is 1.2000. The main support at this point is 1.1820 and than 1.1750.

GBPUSD 0.80% weekly change ▲

GBP/USD is trading around 1.3850 after weak US Nonfarm Payrolls sent the dollar down. Resistance awaits at 1.3850, it is followed by 1.3875. Support below 1.3785 is at 1.3725.

AUDUSD 2.05% weekly change ▲

AUD/USD eases from multi-week tops, still well bid above mid-0.7400s post-NFP. The pair was last seen trading around the 0.7460-65 region. Resistance is at 0.7476, further above is 0.7550. Support is at 0.7389 followed by 0.7318.

USDJPY -0.08% weekly change ▼

USD/JPY drops below 110.00 on broad USD weakness. After spending the majority of the last week above 110.00, the USD/JPY pair came under renewed bearish pressure. Resistance is at 110.28, further above is 110.80. Support is at 109.66 followed by 109.41.

USDCNY -0.28% weekly change ▼

Yuan longs boosted by US jobs data, key level 6.4500 is now threatened. USD/CNY now near breaking another key support levels near 6.4200. Break below the 6.4200 puts supports near 6.3900, 6.3750, 6.3510 in play

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 by 14% as banks are more comfortable holding their position in short tenor MM instruments and weighted avg. rate increased by 15 bps compared to last week. Interbank repo weighted avg. repo rate has also increased by 20 bps compared to previous week. Last week, BB sold \$170 mio and mopped up BDT 1,448 Cr.

Auction: No treasury bill/bond auctions took place last week. 30D BB-bill auction was held last week; yield increased by 14 bps to 1.49%. Auction for 7D & 14D BB Bill was held today; yield increased by 2 bps & 5 bps respectively to 1.01% and 1.30%.

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

Demand for local currency increased in the overnight money market as a result of increased open market operations through BB bill auction and USD sell activity to support exchange rate against increased import payments.

Private sector credit grew slightly in July 2021 to 8.38% on a year on year basis compared to 8.35% in June 2021. As economy is gradually opening up, the credit demand showed upward trend after falling consecutively for last three months.

Revenue collection grew marginally in July owing to the slowdown in business activities. Tax collection was BDT 15,354 crore in July FY 22, up 4% year-on-year. Although behind the target, income tax contributed most while VAT collection lagged.

Inflation eased in July and came down to 5.36% after touching 5.64% in June 2021.

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

Capital Market

- BSEC has revised public issue rules and has set new IPO quotas for general and other eligible investors.
- Out of 400 listed companies about 40 firms have deposited BDT 2.10 billion to the Capital Market Stabilization Fund (CMSF) as of August 30
- BB recently approved Bangladeshi drug-maker Beximco to acquire 54.6% shares of Sanofi Bangladesh at BDT480 crore, by taking over the shares from Fisons Ltd and May and Baker Ltd of the UK. The two UK-based firms hold 19.63 lakh Sanofi shares.
- In fiscal 2020-21, foreign investors withdrew equity investment of BDT18.70bn from the capital market, while they invested BDT23.46bn a year ago. Total transaction is 13% lower in this fiscal from previous year.

Market Synopsis

Treasury Bill & Bond Yields

Latest Issue Date	Tenor	Latest Yield	Previous Yield
05-Sep-21	7 days (BB Bill)	1.01%	0.99%
05-Sep-21	14 Days (BB Bill)	1.30%	1.25%
31-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	6,842.23	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)	72.61	-0.12%
Gold (OZS)	1,826.19	0.52%
ICE-US Cotton (LBS)	95.38	-0.92%
Soybean (BSH)	1,283.00	-5.61%
Wheat (BSH)	714.50	-0.56%
Sugar (LBS)	19.58	-2.30%
Palm Oil (Tonne)	1,097.00	0.73%
Steel (Tonne)	1,943.00	0.10%

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%	5.24%
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