

Currency Outlook

USDBDT Exchange Rate

The central bank is continuing sale of USD funds to support banks in meeting foreign currency payment requirements. In Sep 2021 so far, BB has sold USD 293 mio to banks. In the interbank market, USD/BDT is being traded at 85.20 and the rate for import settlement is at USD/BDT 85.25. Reserve levels are still buoyant at 46.59 bio which is deemed sufficient to cover import payments of upcoming 7 months.

Although remittances have tumbled, exports (particularly apparel orders) are poised to make a comeback. Apparel makers have booked work orders to almost their full capacities for the next five months. EPB data shows apparel shipments in August recorded an 11.56% growth year-on-year, with exports reaching USD 2.75 billion. In comparison to Vietnam, Bangladesh earned USD1.94 billion more in apparel exports than Vietnam in the first seven months of the current year. Although orders have risen, buyers were still offering prices that were 10-15% below the pre-pandemic levels.

Imports are still on the rise. In July this year, Bangladesh's imports registered a 21.63% growth, with high growth in import of food and commodities while negative growth was seen in imports of capital machinery.

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

Global Currencies

EURUSD -0.59% weekly change ↓

The EUR/USD pair gave up this week and finished it around 1.1830 after failing to move beyond the 1.1900 threshold following a tepid US employment report. Support levels are located at 1.1800 and 1.1755, resistances are at 1.1908 and 1.2000.

GBPUSD -0.22% weekly change ↓

The GBP/USD again failed to break above 1.3900. The same situation happened last week and during mid-August. The area has become a critic level. The immediate support at 1.3830 followed by 1.3790 and 1.3750.

AUDUSD -1.34% weekly change ↓

The AUD/USD pair climbed to 0.7410 but lost bullish momentum, retreats below 0.7380. AUD is likely to consolidate and trade within a 0.7320/0.7460 range.

USDJPY 0.18% weekly change ↑

USD/JPY consolidates daily gains below 110.00. Range trading continues for USD/JPY intra-range resistance is at 110.45/80 are the historical hurdles. And support is at 109.50 and 109.00.

USDCNY -0.14% weekly change ↓

USD/CNH fell to a 5-session low on broad base US\$ selling. Pair nears 6.4237 but the slide stalls short of the Sep 3 daily low. USD/CNH rallies sharply, erases most of the fall, now trading over 6.4400.

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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. Call money total transaction volume increased by 15.82% as banks are more comfortable holding their position in short tenor MM instruments and weighted avg. rate increased by 03 bps compared to last week. Interbank repo transaction volume decreased by 35.85% &. Weighted avg. repo rate has increased by 8 bps compared to last week. Last week, BB sold \$123 mio and mopped up BDT 1,048 Cr.

Auction: 91D, 182D & 364D T-Bill auction was held and yield increased by 11 bps, 34 bps & decreased by 31 bps respectively. Auction for 30D BB Bill was held last week; yield increased by 11 bps. No BB bill auction in this week, whereas BDT 9690 cr worth BB Bill matured on 12 Sept.

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

Interest Rate

The central bank drained BDT 13,995 cr. – highest in a single week – of idle money from the banking system, through auction BB bills. With this, the Bangladesh Bank has so far mopped up BDT 18,039 cr. from banks through BB bills.

Bangladesh's budget deficit amounted to a record BDT 1.87 trillion in the past financial year as stimulus packages and emergency health payouts bloated public spending against revenue shrinkage for pandemic. The budget shortfall accounts for approximately 6.1% of the GDP or gross domestic product – a gaping gap usually not seen in recent history. In the previous fiscal, 2019-20, such national spending gap was just 5.5% of the GDP.

Private sector credit flow rose to 8.38% in July 2021 on a year-on-year basis, which is 2.62% lower than the Bangladesh Bank's target of 11% for the first half of fiscal year 2021-22. Inflation rate was recorded at 5.56% in FY21, overshooting the government's target of 5.40%. Many of the key essential commodities witnessed a further hike last week, most of the essentials further witnessed a 5.0-16% hike, according to the trading sources.

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 extended the time till Sep 30 for Beximco to raise BDT 3000 cr through Sukuk Bonds. Half of the BDT 3,000-crore fund will be raised through private placement and the Sukuk worth BDT 750 crore will be raised from the existing shareholders of the Beximco
- BSEC will look into the business activities of asset management companies that do not manage any funds or are not in operation after getting licenses .
- BSEC is looking into unexplained bull run of the bourse to prevent occurrence of a bubble

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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%
09-Sep-21	30 Days (BB Bill)	1.60%	1.49%
12-Sep-21	91 Days	1.80%	1.69%
12-Sep-21	182 Days	2.24%	1.90%
08-Sep-21	364 Days	2.69%	3.00%
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	7,202.09	5.26%
FTSE 100	7,029.20	-0.83%
Nikkei 225	30,381.84	12.47%
Dow Jones IA	34,607.72	-1.46%
S&P 500	4,458.58	0.38%

USD LIBOR

Tenor	LIBOR
1M	0.08388
2M	0.09750
3M	0.11575
6M	0.14938
1Y	0.22250

Commodities

Commodity (unit)	Latest Price	Weekly Change
Brent Crude Oil (BBL)	72.92	0.43%
Gold (OZS)	1,788.02	-2.09%
ICE-US Cotton (LBS)	95.23	-0.16%
Soybean (BSH)	1,275.25	-0.60%
Wheat (BSH)	675.00	-5.53%
Sugar (LBS)	18.79	-4.03%
Palm Oil (Tonne)	1,107.00	0.91%
Steel (Tonne)	1,927.00	-0.82%

Released Economic Data (South Asia & China)

Indicator	India	Pakistan	China	Bangladesh
CPI (YoY)	5.59%	8.40%	0.08%	5.36%
GDP Annual Growth Rate	20.01%	3.94%	7.90%	5.24%
Policy Repo Rate	4.00%	7.00%	3.85%	4.75%
Government Bond 10Y	6.178%	9.75%	2.884%	5.96%

Released Economic Data (G8 Countries)

Indicator	USA	UK	Eurozone	Japan
CPI (YoY)	5.40%	2.00%	3.00%	-0.30%
GDP Growth Rate	6.60%	4.80%	2.20%	0.50%
Unemployment Rate	5.20%	4.70%	7.60%	2.80%
Base Rate	0.25%	0.10%	0.00%	-0.10%
Government Bond 10Y	1.3428%	0.761%	0.01%	0.049%

*10-Year Eurozone Central Government Bond Par Yield Curve