

# Treasury Weekly



Issue # 35-2021 | Date: 19 Sep 2021

## Currency Outlook

### USDBDT Exchange Rate

Last week, market showed increased demand for the greenback and interbank market closed at BDT 85.25. Higher import payment pressure and continued decline of wage earners remittance pushing the rate higher. Import payment pressure is evident from trade deficit figures which widened by nearly 28.0% in the just-concluded fiscal year. Import expenses jumped by nearly 20.0% while export earnings recorded over 15% growth. Exports and Imports through the Chattogram port reached pre-pandemic levels, though import of capital machinery fell for the third consecutive year, which indicates dismal investment situation. Remittances inflow dropped by 19.4% in first two months of FY 21-22 and is expected to decline further.

Last week Bangladesh Bank sold USD 197.00 million to the banks. From August, BB sold total USD 683.00 million to support inter-bank market. Currently in the interbank market USD is being traded at 85.25 BDT while the rate for settlement of import payments stands at USD/BDT 85.30.

**Outlook:** Exchange rate is expected to remain in uptrend amid lower inflows of remittance and exports against higher import payment.

### Global Currencies

**EURUSD -0.68% weekly change** ↓

EUR/USD remains pressured after US data misses estimates. EUR/USD reaches a three-week low at 1.1724 and Market sentiment weighs on the EUR/USD as flows flew to the safe-haven USD. Support awaits at 1.1705 and then by 1.1670. Resistance is at 1.1800 and followed by 1.1845.

**GBPUSD -0.72% weekly change** ↓

GBP/USD reaches a weekly low beneath 1.3750 amid awful UK's Retail Sales report fails to boost the British pound. Supports are at 1.3680 and 1.3640. Looking up, resistance is at 1.3820.

**AUDUSD -1.22% weekly change** ↓

AUD/USD slides to fresh monthly lows on broad US dollar strength, targets 0.7200. a break below the latter, the next demand area would be 0.7100. On the other hand resistance is at 0.7342/0.7380 level.

**USDJPY 0.03% weekly change** ↑

USD/JPY retreats below 110.00 despite rising US T-bond yields. The USD/JPY pair continued to push higher but, the pair struggled to preserve its bullish momentum. The next relevant hurdle near the 110.25-30 region. And support level at 109.30-50.

**USDCNY 0.33% weekly change** ↑

The yuan's Thursday slump, amid escalating debt concerns surrounding China Evergrande, definitively ends a six-day streak of steady but modest gains. The Evergrande catalyst may alter the USD/CNH outlook, just as global interest rate disparities start to again become a key driver of currencies.

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## Money Market and Interest Rate

### Money Market

Call money market remained moderately liquid in last week. Avg. transaction volume in last week was BDT 82.7 Billion which shows by 30.47% increase and and weighted avg. rate decreased by 13 bps and came down to 1.69%. Interbank repo transaction volume decreased by 8.79% &. Weighted avg. repo rate has increased by 7 bps compared to last week. Last week, BB sold \$74 mio and mopped up BDT 6.30 billion.

**Auction:** 91D, 364D, 2Y & 5Y T-Bill/Bond auction was held last week. Yield increased by 36 bps for 364D T-Bill and yield increased by 74 bps for 5Y T-bond. 2Y T-Bond auction was cancelled. There was another auction for 91D T-Bill and 182D T-bill; 91D T-bill yield increased total by 39 bps to 2.19% and 182D T-bill auction got cancelled. Bangladesh bank bill outstanding as on 20 Sept is around BDT 0.14 trillion.

**Outlook:** Short term money market is expected to be moderately volatile due open market operation execution by BB.

### Interest Rate

Out The annual development programme's (ADP) implementation in the first two months of the current fiscal year was the lowest in six years with only 3.82% of the allocation spent during the time. The last time the lowest implementation rate was recorded 3.86% in FY16. In FY21, the rate was 3.89. All ministries and divisions of the government spent Tk9,053 crore in the first two months of the current fiscal year to implement projects and programmes under the ADP. On the flipside, the budget deficit expanded to BDT 1.87 trillion in FY21 as pandemic related expenditure escalated (stimulus packages, health sector support). So, Lower ADP implementation might not help government to reduce bank borrowing as higher operational expenditure is expected to be continued due to prevailing pandemic situation.

Rice import increased 87 times year-on-year in July of the current fiscal year of 2021-2022 amid high prices of the staple on the local market. In July of FY22, the country's total rice import reached \$52.5 million from \$0.6 million in the same period of FY21, showed a BB report. Due to a surge in prices on the kitchen market, the government eased the rice import process with a view to strengthening the stock and containing the soaring price of the staple food on the retail market.

**Outlook:** Interest rate is expected to move slightly upward due to the uncertain policy changes and economic outlook.

### Capital Market

- BSEC ordered three large cap companies – Walton, Berger and ICB- to float 10% of their shares within the next year. Sponsor directors have been instructed to offload their existing holding at prevailing market prices – a maximum of 1% of total number of company shares can be sold every month and companies will report to the BSEC in monthly intervals.
- According to finance minister, BSEC and BB will jointly decide the use of undistributed cash dividend and contribution to the capital market stabilization fund for banks and NBFI. According to BB, BSEC's rule regarding capital market stabilization fund and cash dividend payment for banks and NBFI is inconsistent with Bank Company Act.
- For popularizing SUKUK in capital market, NBR has reduced VAT rate on sales and purchase of assets between the originator and SPV to 7.5% from 15%.

## 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%
19-Sep-21	91 Days	2.19%	2.15%
13-Sep-21	182 Days	2.24%	1.90%
19-Sep-21	364 Days	3.05%	2.69%
5-Aug-21	2 Years	2.33%	2.34%
15-Sep-21	5 Years	4.97%	4.23%
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	7,191.81	-0.14%
FTSE 100	6,963.64	-0.33%
Nikkei 225	30,500.05	0.39%
Dow Jones IA	34,584.88	-0.07%
S&P 500	4,432.99	-0.57%

### USD LIBOR

Tenor	LIBOR
1M	0.08350
2M	0.10188
3M	0.12388
6M	0.15225
1Y	0.22438

### Commodities

Commodity (unit)	Latest Price	Weekly Change
Brent Crude Oil (BBL)	75.34	3.32%
Gold (OZS)	1,754.16	-1.89%
ICE-US Cotton (LBS)	93.32	-2.01%
Soybean (BSH)	1,284.00	0.69%
Wheat (BSH)	708.75	5.00%
Sugar (LBS)	19.18	2.08%
Palm Oil (Tonne)	1,083.00	-2.17%
Steel (Tonne)	1,936.00	0.47%

### 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	20.10%	3.94%	7.90%	5.47%
Policy Repo Rate	4.00%	7.00%	3.85%	4.75%
Government Bond 10Y	6.17%	9.80%	2.89%	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	6.50%	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	1.36%	0.85%	0.07%	0.07%

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

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