

# Treasury Weekly



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## Currency Outlook

### USDBDT Exchange Rate

The country's current account balance stands at USD 3.5 bio surplus in the first three months (July-September) of 2020-21 Fiscal Year. Bangladesh received USD 6.71 billion in remittance during the first three months (July-September) of the current fiscal year - indicating a nearly 50% growth compared to the corresponding period last year. In exports, positive trend was seen during this time period with export earnings at USD 9.89 bio compared to previous year's USD 9.64 bio. In comparison imports showed decline of 11% ; the country spent USD 11.73 billion on imports in July-September of the current fiscal year, compared to USD 13.25 billion during the corresponding period.

Interbank market is still quite liquid with transactions taking place in the range of USD/BDT 84.80 to 84.81. From 1st to 22nd Oct 2020, banks have sold excess USD funds of USD 713 mio to the central bank at USD/BDT 84.80. From June 01, 2020 till date banks have sold USD 3.738 bio to central bank, injecting BDT funds of 31,701.27 cr. (BAFEDA). FX reserves stand at USD 40,286 bio as on 14 Oct 2020. Whereas a year ago reserves were at USD 32.105 bio.

**Outlook:** The exchange rate is expected to remain stable with declining import, regained exports and continuous flow of remittance.

### Global Currencies

#### EURUSD **1.19% weekly change** ↑

EUR/USD pair gained 1.19% last week. The composite euro zone PMI contracted less than expected, featuring a surprisingly strong manufacturing expansion has driven investors out of the safe-haven USD & JPY, further supporting. Support lies at 1.1787 and resistance at 1.1930.

#### GBPUSD **1.01% weekly change** ↑

Sterling gained 1.01% last week, closing at 1.3040. US aid, Brexit uncertainties weigh on GBP. 1.2948 remains a strong support where as 1.3122 is the next resistance.

#### AUDUSD **0.85% weekly change** ↑

AUD/USD closed at 0.7140, up by 0.85% during the week. Pair rallies on upbeat risk, US\$ & yen selling . Resistance lies at 0.7240 and support at 0.7027.

#### USDJPY **-0.67% weekly change** ↓

The pair lost 0.67% during the last week and closed at 104.69. USD's negative correlation to risk acceptance drives the pair lower, with support lies at 103.67 and resistance at 105.52.

#### USDCNY **-0.18% weekly change** ↓

The pair lost 0.18% during the last week and closed at 6.6840. The pair can slide more amid US stimulus uncertainty and PBOC's intervention. Support and resistance is at 6.6742 and 6.6950 respectively.

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## Money Market and Interest Rate

### Money Market

Call money market was quite liquid last week. Average call money transactions declined by 21.25% from BDT 159.8 bio to BDT 125.81 bio. The weighted average rate increased by 20 bps from 2.68% to 2.85%. Weighted average repo rate declined by 7 bps from 0.4% to 0.33%. Most interbank repo deals were done at rates ranging between 0.3% - 0.5%. The substantial decrease in call money transactions and subsequent increase in interbank repo volume is attributed to Bangladesh Bank's intervention in determining the call money interest rate floor (1.5%). Apart from this, Bangladesh Bank has injected almost BDT 20.78 bio by buying USD from the interbank market last week.

Auction for 10Y T-bond for BDT 20.0 bio was held last week. The rate declined by 117 bps on a standard tenor basis. Auction for 91D and 182D T-bill for BDT 9.0 bio and 8.0 bio was held today. Yields declined by 10 bps & 65 bps respectively. Auction for 15Y T-bond and 20 Y T-bond will take place on the upcoming Tuesday for BDT 15.0 bio each.

**Outlook:** The market should remain liquid until the end of this calendar year due to lower government borrowing, low credit growth, and regulatory support.

### Interest Rate

Expansionary monetary policy of the Bangladesh Bank, stimulus packages, central bank's downward revision of repo rate, cash reserve ratio (CRR) since April 2020, and poor credit growth have boosted the inflow of liquidity. Moreover, the central bank injected BDT 222.77 billion into the market by buying USD 2.63 billion for the banks during the first quarter of FY'21. Against such a backdrop, banks are now experiencing automatic corrections in all interest rates including lending, deposit, call money, inter-bank repo, and yields of government securities.

Excess liquidity has jumped to a historic high of BDT 1.70 trillion in August this year. The banking sectors' surplus funds increased by BDT 300.00 billion in a month from BDT 1.40 trillion in July. The country's aggregate money supply, measured by broad money (M2), increased by 1.41 percentage points to 13.57% in August year-on-year from 12.16% in March 2020. Proper policy tools may need to be in place to ensure balance between money supply and price stability in coming days.

**Outlook:** The interest rate is expected remain downward due to slower ADP implementation low domestic demand and credit growth.

### Capital Market

- CSE has revised its blue-chip index CSE 30 on the basis of performance of the listed companies.
- The government plans to issue Shariah-compliant bonds, commonly known as sukuk, from December as part of its effort to implement infrastructure projects smoothly.

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## Market Synopsis

### Treasury Bill & Bond Yields

Latest Issue Date	Tenor	Latest Yield	Previous Yield
25-Oct-2020	91 Days	0.84%	0.94%
25-Oct-2020	182 Days	1.35%	2.00%
19-Oct-2020	364 Days	2.49%	3.99%
07-Oct-2020	2 Years	3.64%	4.77%
14-Oct-2020	5 Years	4.36%	5.89%
21-Oct-2020	10 Years	5.63%	6.80%
30-Sep-2020	15 Years	6.73%	7.97%
30-Sep-2020	20 Years	7.08%	8.14%

### USD LIBOR

1M	2M	3M	6M	1Y
0.1563	0.1880	0.2165	0.2494	0.3366

### Capital Market

Index	Value	Weekly Change
DSEX	4892.01	0.29%
FTSE 100	5,860.28	-1.00%
Nikkei 225	23,516.59	0.45%
Dow Jones IA	28,335.57	21.04%
S&P 500	3,465.39	-0.53%

### Commodities

Commodity (unit)	Latest Price	Weekly Change
Brent Crude Oil (BBL)	41.77	-2.70%
Gold (OZS)	1,902.92	0.18%
ICE-US Cotton (LBS)	71.29	1.96%
Soybean (BSH)	1,083.75	3.21%
Wheat (BSH)	632.75	1.20%
Sugar (LBS)	14.72	2.01%
Palm Oil (Tonne)	737.25	2.47%
Steel (Tonne)	645	1.90%

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

Indicator	India	Pakistan	China	Bangladesh
CPI (YoY) (% change)	7.34%	9.04%	1.70%	5.97%
GDP Annual Growth Rate	-23.90%	1.91%	4.90%	5.24%
Policy Repo Rate	4.00%	7.00%	3.85%	4.75%
Government Bond 10Y	5.844%	10.07%	3.205%	5.63%

### Released Economic Data (G8 Countries)

Indicator	USA	UK	Eurozone	Japan
CPI (YoY)	1.40%	0.50%	-0.30%	0.00%
GDP Growth Rate	-31.40%	-19.80%	-11.80%	-7.90%
Unemployment Rate	7.90%	4.50%	8.10%	3.00%
Base Rate	0.25%	0.10%	0.00%	-0.10%
Government Bond 10Y	0.8413%	0.272%	-0.10%*	0.04%

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