

Treasury Weekly



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Currency Outlook

USDBDT Exchange Rate

USDBDT rate is continuing its high tide, with interbank exchange rate closed BDT 85.35 on Thursday and the rate may remain in uptrend for a prolonged period. Even though RMG sector booked work orders to almost their full capacities for the next five months but another season might be needed for the sector's full recovery. Apparel shipments in August recorded an 11.56% growth year-on-year, with exports reaching \$2.75 billion. Capital machinery imports finally picking up, 2.08% growth in LC opening and 40.61% growth in LC settlement in July FY22. Till Sept. 23, remittance inflow was only 1.4 bio compared to 2.1 bio flow in Sept. FY 21. Such significant drop in remittance flow is expected to mount up pressure on the USDBDT exchange rate.

Last week Bangladesh Bank sold USD 44.00 million to the banks. From August, BB sold total USD 727.00 million to support inter-bank market. Currently in the interbank market USD is being traded at 85.35 BDT while the rate for settlement of import payments stands at USD/BDT 85.40.

Outlook: With higher import growth and lower export and remittance inflow USDBDT rate is expected to remain in uptrend.

Global Currencies

EURUSD -0.14% weekly change ↓

The EUR/USD pair has lost some ground this week, trading in the 1.1700 price zone. Growth-related data suggests a steeper deceleration of economic progress of EURO Zone. The main support is at 1.1663, than at 1.1600 level. The primary resistance level is 1.1755 and than at 1.1840.

GBPUSD -0.45% weekly change ↓

GBP/USD accelerates its slump, trades around 1.3650. Concerns about the global financial health and slow moves towards tapering weigh on markets. Support levels are 1.3680 and 1.3640. Resistance levels are at 1.3720 and 1.3760.

AUDUSD -0.17% weekly change ↓

AUD/USD extends slide to near 0.7250 amid Evergrande's failure to pay dollar-denominated bond. The Australian dollar is the most exposed to China's woes. The first support on the way down would be the September 20 low at 0.7219.

USDJPY 0.69% weekly change ↑

USD/JPY rises to a fresh weekly-high bulls target 111.00. US 10-year bond yields are up 7% in the week, underpins the USD/JPY. Fed prospects of bond tapering also weigh in the market appetite.

USDCNY 0.02% weekly change ↑

Losses in the yuan were capped after the heavily indebted property giant said it would make a bond coupon payment on Thursday, easing some fears of a possible default. Financial markets were closed in China through Tuesday for Mid-Autumn Festival holiday.

Money Market and Interest Rate

Money Market

Due to central bank open market operations through BB bill auction, the wholesale market rates continued moving up. In the current market scenario banks are more comfortable holding their position in short tenor MM instruments as such, call money or SND. Avg. transaction volume has increased by 20.4% to 8,233 cr. compared to the first week of Sep'21 and weighted avg. interest rate has increased by 17 bps during this period. Interbank repo transaction volume increased by 47.5% &. Weighted avg. repo rate has increased by 13 bps compared to last week. Last week, BB sold \$20 mio and mopped up BDT 171 Cr.

Auction: 91D & 182D T-bill auction took place today and cut off increased by 28 bps & 75 bps respectively compared to previous cut off yield. Last week, 7D, 14D & 30D BB bill auction took place and BB mopped up additional BDT 5,153 cr.

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

Interest Rate

Economic activity is picking up as evident by increased imports across segments including capital machinery. Private sector credit growth is expected to revive accordingly. Money market excess liquidity is expected to diminish shortly for Bangladesh Bank action to drag down liquidity through BB Bill auction and USD selling to stabilize exchange rate is also mopping up money market liquidity. The rising global commodity price, increased import cost and expected rise in interest rate are expected to keep the inflation rate under pressure as well.

Government borrowing from banking channel may continue the current pace and may increase with increase in ADP implementation as government brought forward measures to slash saving certificate sales.

To minimize interest liability and divert large investments to industries and the capital market, government has slashed interest rates on all types of saving tools. An investment over BDT 1.5 mio with a 5 year tenure will generate 10.75% return which is 1% lower than previous rate and investment over BDT 3.0 mio will yield the highest 9.75% which is 2% lower than previous rate.

Outlook: Interest rate is expected to move upward gradually due to diminishing excess liquidity from the banking industry.

Capital Market

- Broad indices at both DSE and CSE ended in green in the past week amid investors' caution, profit booking efforts and an increased volatility as demand for mid-cap manufacturing and services stocks increased. On the other hand, due to profit booking in selective large-cap scripts pushed the blue-chip indices slightly down at the end of the week.
- Insurance Development and Regulatory Authority (IDRA) has recently requested the stock market regulator not to approve any IPOs for insurers without a no-objection certificate (NOC) from their primary regulator. This request generated on the basis IPO approval to Sena Kalyan Insurance Company by BSEC without a NOC from IDRA.

Market Synopsis

Treasury Bill & Bond Yields

Latest Issue Date	Tenor	Latest Yield	Previous Yield
21-Sep-21	7 days (BB Bill)	1.75%	1.01%
21-Sep-21	14 Days (BB Bill)	2.05%	1.30%
23-Sep-21	30 Days (BB Bill)	2.44%	1.60%
27-Sep-21	91 Days	2.47%	2.19%
27-Sep-21	182 Days	2.99%	2.24%
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	7,237.14	0.63%
FTSE 100	7,051.48	1.26%
Nikkei 225	30,248.81	-0.82%
Dow Jones IA	34,798.00	0.62%
S&P 500	4,455.48	0.51%

USD LIBOR

Tenor	LIBOR
1M	0.08513
2M	0.10650
3M	0.13225
6M	0.15538
1Y	0.22963

Commodities

Commodity (unit)	Latest Price	Weekly Change
Brent Crude Oil (BBL)	78.09	3.65%
Gold (OZS)	1,749.86	-0.24%
ICE-US Cotton (LBS)	96.85	3.78%
Soybean (BSH)	1,285.00	0.08%
Wheat (BSH)	723.75	2.12%
Sugar (LBS)	19.10	-0.42%
Palm Oil (Tonne)	1,114.00	2.86%
Steel (Tonne)	1,933.00	-0.15%

Released Economic Data (South Asia & China)

Indicator	India	Pakistan	China	Bangladesh
CPI (YoY)	5.30%	8.40%	0.80%	5.36%
GDP Annual Growth Rate	20.1%	3.94%	7.90%	5.47%
Policy Repo Rate	4.00%	7.25%	3.85%	4.75%
Government Bond 10Y	6.18%	10.02%	2.88%	5.96%

Released Economic Data (G8 Countries)

Indicator	USA	UK	Eurozone	Japan
CPI (YoY)	5.30%	2.00%	3.00%	-0.30%
GDP Growth Rate	6.60%	4.80%	2.20%	0.50%
Unemployment Rate	5.20%	4.60%	7.60%	2.80%
Base Rate	0.25%	0.10%	0.00%	-0.10%
Government Bond 10Y	1.53%	0.92%	0.07%	0.06%

*10-Year Eurozone Central Government Bond Par Yield Curve

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