

# Treasury Weekly



Issue # 37-2020 | Date: 01 Nov 2020

## Currency Outlook

### USDBDT Exchange Rate

Bangladesh's FX reserves have reached \$41.2 bio, three weeks after crossing the \$40 bio mark for the first time, which is sufficient to pay more than 10 months of import bills. An increase in export earnings and a drop in imports also played a role in the rise of the reserves. Bangladesh is standing out as an exception to the global pattern of shrinking remittances where the country is projected to grow its remittance receipts by 8.0% to USD 20.0 bio against worldwide decline of 14.0% in 2020, according to the WB. In fact, Bangladesh reportedly witnessed a 'whopping' 53.5% YoY increase in remittance flows during the Jul-Sep period. The recent growth in Bangladesh's remittance flows has been attributed to urgency of flood assistance and pent-up remittances after the shutdown and a shift in flows from informal to formal channels. The higher inflow also contrasted the decline in outflow of overseas jobseekers and loss of jobs in workplaces including in the Middle East.

Interbank market is naturally quite liquid with transactions taking place in the range of USD/BDT 84.80 to 84.81. From June 01, 2020 till date banks have sold USD 4.013 bio to central bank, injecting BDT funds of 34,033.27 cr. (BAFEDA). Current account balance became surplus USD 3.5 bio in July-sept of this fiscal; whereas a year ago it was deficit USD 715 mio.

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

### Global Currencies

#### EURUSD **1.79% weekly change** ↓

EUR/USD pair lost 1.79% last week, closing near 1-month low at 1.1645 after a 5-day sell-off. The EUR was hammered by market concerns about the increase of COVID-19 infections in Europe and ECB's hint on Thursday to the possibility of unleashing new stimulus measures in December. Support lies at 1.1585 and resistance at 1.1740.

#### GBPUSD **0.72% weekly change** ↓

Sterling lost 0.72% last week, closing at 1.2945. Fears of a nationwide lockdown and Brexit uncertainties weighed on GBP. 1.2900 remains a strong support whereas 1.2980 is the next resistance.

#### AUDUSD **1.49% weekly change** ↓

AUD/USD closed at 0.7026, down by 1.49% during the week. The pair fell on the back of risk-aversion and investors are already pricing in a rate cut to a record low of 0.1%. Support is at 0.7000 and Resistance is at 0.7065.

#### USDJPY **0.04% weekly change** ↓

The pair closed at 104.64. The pair has bottomed around 104.00 in last Jul, Sep and Oct, with a break below the region to open doors for a steeper decline. Resistance is at 105.50 and 106.00 respectively.

#### USDCNY **0.11% weekly change** ↑

The pair gained 0.11% during the last week and closed at 6.6919. The pair can slide more amid US stimulus uncertainty and PBOC's intervention. Support and resistance is at 6.6500 and 6.6800 respectively.

## Money Market and Interest Rate

### Money Market

Call money market was quite liquid last week. Average call money transactions declined by 3.34% from BDT 25.16 bio to BDT 24.32 bio. The weighted average rate declined by 12 bps from 2.85% to 2.72%. Weighted average repo rate also declined by 2 bps from 0.32% to 0.30%. Most interbank repo deals were done at rates ranging between 0.30% - 0.50%. Apart from this, Bangladesh Bank has injected almost BDT 23.32 bio by buying USD from the interbank market last week.

Auction for 15Y and 20Y T-bond for BDT 15.0 bio each was held last week. The rate declined by 31 bps and 46 bps respectively on a standard tenor basis. Auction for 91D, 182D, and 364D T-bill for BDT 15.0 bio, 10.0 bio and 10.0 bio was held today. Yields increased by 13 bps, 23 bps, and 50 bps respectively. Auction for 2Y T-bond for BDT 20.0 bio will take place this Tuesday.

**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

The public expenditure increased in Q1' FY2021 at its slowest pace due to the Covid-19 pandemic. The budget spending during the period in question stood approximately at BDT 895.00 bio, which was only 1.4% higher than the same quarter a year earlier, according to official sources. However, the overall size of the budget for the current financial is larger by nearly 13% than that of the last FY. People familiar with the development said that the government is releasing funds only for the top-priority development projects and cutting contingency expenditure of different ministries and divisions by 50%. The revenue collection also edged up during the period under review as the surplus funds available with the state corporations are now being transferred to the government exchequer. The overall revenue receipt increased to BDT 652 bio in Q1' FY2021 as compared to BDT 603 bio a year ago. Consequently, the budget deficit narrowed down and was recorded at BDT 243 bio in Q1' FY2021, down by over 14% from Q1' FY2020.

Moreover, the non-bank financing mostly through NSCs surged during the period. It declined in the last FY, but again jumped YoY by nearly 300% in the last quarter from BDT 47 bio to BDT 121 bio, according to the officials at the finance division.

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

### Capital Market

- The bidding for eligible investors (EIs) to explore the cut-off price of Index Agro Industries shares will commence today.
- The board of directors of Marico Bangladesh Limited has declared 200% interim cash dividend for the year ending on March 31, 2020.

## Market Synopsis

### Treasury Bill & Bond Yields

Latest Issue Date	Tenor	Latest Yield	Previous Yield
01-Nov-2020	91 Days	0.97%	0.84%
01-Nov-2020	182 Days	1.58%	1.35%
01-Nov-2020	364 Days	2.99%	2.49%
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%
27-Oct-2020	15 Years	7.04%	6.73%
27-Oct-2020	20 Years	7.54%	7.08%

### USD LIBOR

1M	2M	3M	6M	1Y
0.1403	0.1756	0.2158	0.2421	0.3301

### Capital Market

Index	Value	Weekly Change
DSEX	4,846.10	-0.94%
FTSE 100	5,577.27	-4.83%
Nikkei 225	22,977.13	-2.29%
Dow Jones IA	26,501.60	-6.47%
S&P 500	3,269.96	-5.64%

### Commodities

Commodity (unit)	Latest Price	Weekly Change
Brent Crude Oil (BBL)	37.46	-10.33%
Gold (OZS)	1879.95	1.21%
ICE-US Cotton (LBS)	68.92	-3.32%
Soybean (BSH)	1056.50	2.81%
Wheat (BSH)	598.50	5.41%
Sugar (LBS)	14.36	2.45%
Palm Oil (Tonne)	782.75	6.17%
Steel (Tonne)	699.00	8.37%

### 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	5.88%	9.71%	3.19%	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	33.10%	-19.80%	12.70%	-7.90%
Unemployment Rate	7.90%	4.50%	8.30%	3.00%
Base Rate	0.25%	0.10%	0.00%	-0.10%
Government Bond 10Y	0.87%	0.27%	-0.12%*	0.04%

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

### Disclaimer

This report is prepared by Treasury & FI Division, BRAC Bank Ltd. and to be used for information purposes only. It is not, under any circumstances, to be used or considered as an offer to sell, or a solicitation of any offer to buy. Reasonable care has been taken to ensure that the information is not untrue and misleading. BRAC Bank Ltd makes no representation or warranty as to the accuracy or completeness of such information. All opinions and estimates included in this report constitute our judgment as of this date and are subject to change without notice.

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: BRAKBDHH