

Treasury Weekly



Issue # 37-2021 | Date: 4 Oct 2021

Currency Outlook

USDBDT Exchange Rate

BDT is continuing its depreciating trend against the Greenback. Currently the interbank rate for USD/BDT stands at 85.50 while the rate for settlement of import payments stands at USD/BDT 85.55. Bangladesh Bank is also continuing its sale of USD in the interbank market to help to keep the exchange rate stable. Last week alone the central bank sold USD 250 mio to banks to help them meet import payment requirements.

August 2021 data shows a surge in import payments, opening and settlement of import LCs rose by 48% and 30.62% respectively in Aug 2021 compared to previous month. Apparel exporters are making huge purchases of textile products as capital goods from the international market. Increasing trend in fuel-oil prices on the global market due to restoration of connectivity gradually across the world despite the ongoing Covid-19 pandemic has also pushed up overall import-payment obligations. Higher imports of food-grains also pushed up the overall import expenses of Bangladesh. FX Reserve levels stand at USD 46.214 bio as on 29 Sep 2021.

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

Global Currencies

EURUSD -1.06% weekly change ↓

EUR/USD has settled just under 1.16 in a turbulent week that saw the dollar storm higher on Fed tapering, concerns about energy and political uncertainty about US finances. Support awaits at 1.1560, followed by 1.1510. Resistance is at 1.1610, further above, 1.1660.

GBPUSD -0.94% weekly change ↓

GBP/USD has recovered and trades around 1.3550. The move comes as the dollar somewhat eases, despite a risk-off mood in markets. Support is at the daily low of 1.3430, followed by 1.3400. Resistance is at 1.3575, followed by 1.3600.

AUDUSD 0.03% weekly change ↑

The AUD/USD rose further supported by a weaker greenback and reached high at 0.7273, before pulling back to 0.7255 following the ISM report. Support is at 0.7220 and 0.7180, resistance at 0.7275 and 0.7300.

USDJPY 0.30% weekly change ↑

USD/JPY breaks below 111.00 as mounting pressures weigh on the greenback. Falling US bond yields benefits the Japanese yen. Fears of higher inflation and a struggling labor market surround the American economy.

USDCNY -0.32% weekly change ↓

The central parity rate of the Chinese currency renminbi, or the yuan, strengthened 87 pips to 6.4608 against the U.S. dollar. Improved risk give yuan longs traction; key USD/CNY level threatened. USD/CNY nears 6.4265 before bouncing slightly. Test of structural support in 6.4190/6.4230 zone looks highly probable now.

Money Market and Interest Rate

Money Market

The wholesale market rates was comparatively stable last week. In the current market scenario banks are more comfortable holding their position in short tenor MM instruments. Call money avg. transaction volume has decreased by 4.67% to 7,849 cr. compared to last week mainly due to quarter end and weighted avg. interest rate has increased by 17 bps during this period. Interbank avg. repo transaction volume increased by 7.86% &. Weighted avg. repo rate has increased by 17 bps compared to last week. Last week, BB sold \$250 mio and mopped up BDT 2,136 Cr.

Auction: 10Y, 15Y & 20Y T-Bond auction took place last week and cut off increased by 37 bps, 79 bps & 45 bps respectively. 91D & 182D T-bill auction was held yesterday, cut off decreased by 7bps & 2bps respectively. BB will continue its open market operation through BB Bill auction and total BB bill outstanding amount is BDT 10,125 cr. As on 04 Oct 2021.

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

Interest Rate

Bangladesh bank has wiped out BDT 180 bio liquidity from wholesale market in as on 04 Oct 21 through BB bill and USD sell to squeeze up the money supply from the economy. This will help BB to reduce the surplus liquidity from the market and control inflation. The excess liquidity in the banking sector was around BDT 2.0 trio in July while the amount was around BDT 1.4 trio in the same month of the previous year.

Private sector credit growth rose up to 8.42% in August from 8.38% in July. But it is still 6.8% lower than central bank's target which is 14.80%. Reasons behind such soar is the increase in external trade in this fiscal year. Accordingly, dollar has gained against taka with the increase in import of capital machinery and payment for Covid-19 vaccines.

Point to point inflation rate in August jumped to 5.54% in August showing 0.18% increase from July. Inflation in the food sub-sector rose to 5.16% in August from 5.08% in July and non-food sub-sector inflation increased slightly to 6.13% last month from 5.80% in July.

Outlook: Interest rate is expected to move slightly upwards due to BB's decision regarding deposit rate fixing and liquidity wash out from market through USD sale.

Capital Market

- IPO of two companies-Sena Kalyan Insurance and ACME Pesticides--will take place this month.
- Foreign investors have withdrawn BDT 381.6 cr from the capital market in Jul-Aug 2021 due to the surge in the market, Following the withdrawal of BDT18.7bn in fiscal 2020-21 from Bangladeshi securities
- Increased optimism among investors led the market rally to new highs last Thursday, with turnover crossing BDT 25 billion-mark. DSEX went up by 26.17 points or 0.35% to settle at 7,329--the highest since its inception on January 27, 2013, replacing the then key index -- DGEN.

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: BRAKBDH

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%
04-Oct-21	91 Days	2.40%	2.47%
04-Oct-21	182 Days	2.97%	2.99%
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%
29-Sep-21	10 Years	6.33%	5.96%
29-Sep-21	15 Years	6.44%	5.65%
29-Sep-21	20 Years	6.50%	6.05%

Capital Market

Index	Value	Weekly %
DSEX	7,352.09	1.59%
FTSE 100	7,027.07	-0.35%
Nikkei 225	28,771.07	-4.89%
Dow Jones IA	34,326.46	-1.36%
S&P 500	4,357.04	-2.21%

USD LIBOR

Tenor	LIBOR
1M	0.07525
2M	0.11000
3M	0.13313
6M	0.15700
1Y	0.23488

Commodities

Commodity (unit)	Latest Price	Weekly Change
Brent Crude Oil (BBL)	79.28	1.52%
Gold (OZS)	1,761.03	0.64%
ICE-US Cotton (LBS)	106.53	9.99%
Soybean (BSH)	1,246.50	-3.00%
Wheat (BSH)	755.25	4.35%
Sugar (LBS)	20.06	5.03%
Palm Oil (Tonne)	1,137.00	2.06%
Steel (Tonne)	1,916.00	-0.88%

Released Economic Data (South Asia & China)

Indicator	India	Pakistan	China	Bangladesh
CPI (YoY)	5.30%	8.35%	0.80%	5.54%
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	6.244%	10.347%	2.874%	6.33%

Released Economic Data (G8 Countries)

Indicator	USA	UK	Eurozone	Japan
CPI (YoY)	5.30%	3.20%	3.40%	-0.40%
GDP Growth Rate	6.70%	5.50%	2.20%	0.50%
Unemployment Rate	5.20%	4.60%	7.50%	2.80%
Base Rate	0.25%	0.10%	0.00%	-0.10%
Government Bond 10Y	1.465%	1.013%	0.14%	0.06%

*10-Year Eurozone Central Government Bond Par Yield Curve

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