

# Treasury Weekly



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## Currency Outlook

### USDBDT Exchange Rate

The declining trend of remittances, the rising price of commodities in the global market, and the end of deferral support on payments for imports were the drivers behind the tight situation in the foreign exchange market. Remittance inflow dipped 19.75% year-on-year in September to USD 1.73 billion, which is also the lowest in 16 months. From July to September of the current 2021-22 fiscal year, total remittance inflow was \$5.40 billion, down from \$6.71 billion sent home during the same period last fiscal year. The dismal remittance flows have led to greater demand for USD and pushed the rate upwards. Also, the prices of various commodities in the international market have risen sharply during the period, widening the import payments and creating further pressure on the foreign exchange.

In the interbank market, USD is trading at 85.60 BDT in spot while forward transactions are taking place up to USD/BDT 86.00. Bangladesh Bank FX reserves stand at USD 46.125 bio as on 7 Oct 2021. The central bank is continuing its sale of USD to banks to help them meet foreign currency obligations and to maintain exchange rate stability.

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

### Global Currencies

#### EURUSD -0.17% weekly change ↓

EUR/USD has advanced toward 1.16 after the US reported an increase of only 194,000 jobs in September, below 488,000 expected. A temporary solution to the debt ceiling issue is weighing on the dollar. Sellers will look for a violation of 1.1530. The initial resistance is located at 1.1620.

#### GBPUSD 0.44% weekly change ↑

GBP/USD is trading near 1.3650, up after US labor statistics missed estimates. The pair could extend its slide toward 1.3550 ahead of 1.3500. The initial hurdle is located in the 1.3630/40 area.

#### AUDUSD 0.69% weekly change ↑

The AUD/USD pair rose sharply and reached its highest level at 0.7338 as the disappointing September jobs report from the US triggered a USD selloff. The upside momentum in AUD/USD gathers further pace and could retest the 0.7350 level.

#### USDJPY 0.69% weekly change ↑

USD/JPY's bounces up from 111.50 to reach fresh YTD highs above 112.00. The weak NFP does not dent USD/JPY's strength. The dollar has shrugged off the negative impact caused by the weaker than expected US employment report and has resumed its bullish trend.

#### USDCNY -0.02% weekly change ↓

USD/CNY buoyant as China property sector fears resurface. USD/CNY bobs back up to 6.4540 from early dip to 6.4484. Risk-on vibes from Wall St fade as Evergrande fears resurface. Central bank drains liquidity from reverse repos. PBOC says will make deposit rates more market-driven.

## Money Market and Interest Rate

### Money Market

Due to central bank open market operations, the wholesale market rates continued moving up. Call money avg. transaction volume has decreased by 1.5% to 7,730 cr. compared to last week and weighted avg. interest rate remained around the same level. Interbank avg. repo transaction volume decreased by 29.48% &. Weighted avg. repo rate remained around the same level. Last week, BB sold \$167 mio and mopped up BDT 1,430 Cr.

**Auction:** 2Y T-Bond auction took place last week and cut off increased by 185 bps. 91D & 364D T-bill auction took place on 10th and cut off increased by 30 bps & 44 bps respectively. BB will continue its open market operation through BB Bill auction and total BB bill outstanding amount is BDT 9,845 cr. as on 10 Oct 21.

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

### Interest Rate

Marking the uptrend movement of economy, NBR has collected BDT 345.48 billion tax revenue in first two months of current fiscal year against the target of BDT 397.59 billion. At-source or withholding tax collection is the major contributor to tax revenue. Besides, Net sales of saving certificate of Jul'21 was recorded at BDT 21.04 bio which shows 54% decline from Jun'21.

The double action from central bank, mopping up Money Market liquidity through Bangladesh Bank Bill and selling of USD to banks, is reducing banks' liquidity position and gradually pushing Treasury yields and accordingly bank deposit rates upward. Till 07 October starting from 16 August 2021, total BDT 97.60 flowed out for form banks for buying USD from Bangladesh Bank. The total excess liquidity, which reached a historic high of BDT2.31tn in June this year, came down to around BDT80bn in a month in July.

Hike in fuel prices including LNG, crude, coal, commodities and cotton prices in global markets is leading to inflationary pressure in Bangladesh. This will make central bank to continue the current open market operations to balance excess liquidity scenario or may eventually prompt more monetary tightening from central bank side.

**Outlook:** Influence of lower NSC sales, central bank's OMO operation and commodity price hike are expected to maintain upward pressure on interest rate.

### Capital Market

BSEC has approved BDT 150 mio IPO of BD Thai Food & Beverage. The company will utilize the IPO proceeds for purchasing machinery and equipment, land development, building construction and bearing the IPO expenses.

General investors have subscribed only 56% of the total public offer of BDT 750 crore of the Beximco Green-Sukuk Al Istisna - the first-ever asset-backed security by a private sector entity in Bangladesh.

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## Market Synopsis

### Treasury Bill & Bond Yields

Latest Issue Date	Tenor	Latest Yield	Previous Yield
07-Oct-21	7 days (BB Bill)	1.94%	1.75%
07-Oct-21	14 Days (BB Bill)	2.19%	2.05%
23-Sep-21	30 Days (BB Bill)	2.44%	1.60%
11-Oct-21	91 Days	2.70%	2.40%
04-Oct-21	182 Days	2.97%	2.99%
11-Oct-21	364 Days	3.49%	3.05%
06-Oct-21	2 Years	4.18%	2.33%
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	7,367.99	1.81%
FTSE 100	7,095.55	0.62%
Nikkei 225	28,048.94	-7.27%
Dow Jones IA	34,746.25	-0.15%
S&P 500	4,391.34	-1.44%

### USD LIBOR

Tenor	LIBOR
1M	0.08713
2M	0.10900
3M	0.12400
6M	0.15613
1Y	0.24113

### Commodities

Commodity (unit)	Latest Price	Weekly Change
Brent Crude Oil (BBL)	82.39	5.51%
Gold (OZS)	1,756.00	0.35%
ICE-US Cotton (LBS)	110.60	14.20%
Soybean (BSH)	1,243.00	-3.27%
Wheat (BSH)	734.00	1.42%
Sugar (LBS)	20.29	6.23%
Palm Oil (Tonne)	1,232.25	10.61%
Steel (Tonne)	1,882.00	-2.64%

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

Indicator	India	Pakistan	China	Bangladesh
CPI (YoY)	5.30%	8.98%	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	6.318%	10.684%	2.92%	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	4.80%	4.60%	7.50%	2.80%
Base Rate	0.25%	0.10%	0.00%	-0.10%
Government Bond 10Y	1.6118%	1.164%	0.18%	0.089%

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