

Currency Outlook

USDBDT Exchange Rate

USDBDT is still maintaining its upward trend. In the interbank market USD/BDT is being traded at 85.65 through spot transactions and up to USD/BDT 86.55 in forward transactions. Central bank is continuing its sale of USD as well. So far, in Oct 2021, Bangladesh Bank sold USD 339.10 mio and USD 1.32 bio from August 16 till Oct 14. To various banks to support them in meeting foreign currency payment requirements and to keep the exchange rate stable. As on 13 Oct 2021, FX reserves stand at USD 46.086 bio USD.

Exports have started to pick up. Bangladesh apparel sector is likely to see a surge in export orders as inspection and audit demand with orders from brands of the United States for Bangladesh readymade garment sector increased by 108% in September compared with that in the corresponding month of 2019. Sep '21 provisional figures show while remittance has declined about 20%, exports have risen by almost 40% y-o-y. Import figures show increase of almost 73% y-o-y (Aug '21 provisional data) with main increases seen in the opening and settlement of consumer good, intermediate goods and petroleum.

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

Global Currencies

EURUSD 0.23% weekly change ↑

EUR/USD stays on the defensive and extends the leg lower and recedes to the 1.1570 region. While the weekly top at 1.1624 (October 14) caps the upside, then the door remains open to another visit to the YTD low at 1.1524.

GBPUSD 0.94% weekly change ↑

GBP/USD on the back foot and declined toward 1.3700 before staging a rebound. The near-term technical outlook for GBP/USD remains bullish. On the upside, the initial hurdle is located at 1.3760 ahead of 1.3800 and 1.3850.

AUDUSD 1.52% weekly change ↑

The AUD/USD pair struggled to capitalize on its modest gains to the 0.7435 region and witnessed turnaround from the vicinity of five-week tops touched on Friday. The support is currently pegged near the 0.7370 region and stiff resistance near the 0.7435-40 region.

USDJPY 1.86% weekly change ↑

USD/JPY stalls the upside amid risk-off mood, awaits US data. US Treasury yields retreat from highs, DXY remains broadly underpinned. The USD/JPY first resistance level is at 114.54 and support at 114.00.

USDCNY -0.15% weekly change ↓

USD/CNY well-supported by weak China data, US yields. USD/CNY ebbs to 6.4367 but resilient as US yields rise. Dismal China econ data prompts modest yuan weakening. Would cue more short-covering toward resistance 6.4503.

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Money Market and Interest Rate

Money Market

Due to central bank open market operations, the wholesale market rates maintained its upward trajectory. In the current market scenario banks are more comfortable holding their position in short tenor MM instruments as such, call money avg. transaction volume has increased by 29.38% to 10,002 cr. and weighted avg. interest rate increased by 9bps. Interbank avg. repo transaction volume decreased by 12.28% & weighted avg. repo rate increased by 7bps. Last week, BB sold \$172 mio and mopped up BDT 1,473 Cr.

Auction: 5Y T-Bond auction took place last week and cut off increased by 78 bps to 5.76%. 10 years bond yield jumped by 47 bps to 6.80%. 91D & 182D T-bill cut off increased by 8 bps & 11 bps respectively. BB is continuing its open market operation through BB Bill auction and total BB bill outstanding is BDT 10,890 cr. as on 17 Oct 21.

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

Interest Rate

Higher inflow of foreign debt, Lower ADP implementation, payment of surplus fund to government from state owned organizations and revival of tax collection has helped government to reduce its net domestic borrowing from banking channel which has been recorded at BDT 45.97 bio in Jul-Sep period of FY'22. This borrowing from banking channel includes both borrowing from central bank and commercial banks. As per a BB report, the government repaid BDT 95.24 bio to the BB but borrowed BDT 14.12 bio from scheduled banks. So, government's borrowing from BB BDT 14.82 bio in Sep'21 from BDT 24.34 bio three months ago. In a parallel way, government's external debts increased by USD 7.7 billion to USD 59.35 billion in FY'21 from USD 51.65 billion at the end of FY20. Besides receiving of external debts, the government received around BDT 170.00 bio from different state-owned organizations. Outstanding performance of NBR has backed the 54% NSC sales decline in Jul'21 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. Inflation is under pressure and went up to 5.54% in August for raising global commodity, industrial raw materials and energy prices. The exchange rate volatility and rising inflation may compel central bank to continue using their monetary policy tools to keep the interest rate in upward trend.

Outlook: Interest rate is expected to continue upward trend for the time being for the double whammy of inflation and exchange rate.

Capital Market

- Dhaka Stock Exchange (DSE) kicked off the trading of government treasury bonds in its secondary market on Thursday for the first time after a lengthy 16-year hiatus. This platform will allow the investors to buy and sell the risk-free instruments
- Individual investors can now buy govt bond from capital market. DSEX launched debt securities board through which any investor can trade the bonds through their beneficiary owners (BO) account.
- IPO (initial public offering) subscription of ACME Pesticides will commence on October 12 (Tuesday) to raise BDT 300 million under fixed priced method. The company's IPO subscription will continue till October 18.

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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%
14-Oct-21	14 Days (BB Bill)	2.45%	2.19%
14-Sep-21	30 Days (BB Bill)	2.65%	2.44%
18-Oct-21	91 Days	2.78%	2.70%
18-Oct-21	182 Days	3.08%	2.97%
11-Oct-21	364 Days	3.49%	3.05%
06-Oct-21	2 Years	4.18%	2.33%
13-Oct-21	5 Years	5.76%	4.97%
29-Sep-21	10 Years	6.80%	6.33%
29-Sep-21	15 Years	6.44%	5.65%
29-Sep-21	20 Years	6.50%	6.05%

Capital Market

Index	Value	Weekly %
DSEX	7,170.76	-2.68%
FTSE 100	7,234.03	1.95%
Nikkei 225	29,068.63	3.64%
Dow Jones IA	35,294.76	1.58%
S&P 500	4,471.37	1.82%

USD LIBOR

Tenor	LIBOR
1M	0.08563
2M	0.10363
3M	0.13150
6M	0.16625
1Y	0.30213

Commodities

Commodity (unit)	Latest Price	Weekly Change
Brent Crude Oil (BBL)	85.87	4.22%
Gold (OZS)	1,767.26	0.64%
ICE-US Cotton (LBS)	107.33	-2.96%
Soybean (BSH)	1,217.75	-2.03%
Wheat (BSH)	734.00	0%
Sugar (LBS)	19.80	-2.41%
Palm Oil (Tonne)	1,241.25	0.73%
Steel (Tonne)	1,898.00	0.85%

Released Economic Data (South Asia & China)

Indicator	India	Pakistan	China	Bangladesh
CPI (YoY)	4.35%	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	6.387%	10.644%	3.009%	6.80%

Released Economic Data (G8 Countries)

Indicator	USA	UK	Eurozone	Japan
CPI (YoY)	5.40%	3.20%	3.40%	-0.40%
GDP Growth Rate	6.70%	5.50%	2.20%	0.50%
Unemployment Rate	4.80%	4.50%	7.50%	2.80%
Base Rate	0.25%	0.10%	0.00%	-0.10%
Government Bond 10Y	1.588%	1.137%	0.19%	0.09%

*10-Year Eurozone Central Government Bond Par Yield Curve