

# Treasury Weekly



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## Currency Outlook

### USDBDT Exchange Rate

The central bank is continuing its operations of purchasing excess USD funds from the interbank market. From 1st to 3rd Dec 2020, banks have already sold excess USD funds of 160 mio to the central bank at USD/BDT 84.80. From June 01, 2020 till date banks have sold USD 4.92 bio to the central bank, injecting BDT funds of 41,724.63 cr. (BAFEDA). FX reserves stand at USD 41.359 bio as on 03 Dec 2020, whereas a year ago reserves were at USD 31.789 bio.

In the first five months of fiscal 2020-21, exports raked in USD 15.8 billion, up 0.9% year-on-year, according to data from the Export Promotion Bureau. During the period, remittance stood at about USD 11.0 billion, up about 42.9% year-on-year, according to data from the BB. In the first four months of the fiscal year, imports were down about 13% to USD 15.8 billion. Bangladesh's trade deficit narrowed 43.5% year-on-year to USD 3.23 billion during the July-October period, according to data from the Bangladesh Bank (BB). The trade deficit narrowed due to the negative import growth, which indicates stagnated economic activities and weak domestic demand.

**Outlook:** The exchange rate is expected to remain stable with declining imports in the backdrop of robust remittance and improving exports.

### Global Currencies

**EURUSD 1.34% weekly change** ↑

After advancing strongly the pair is now consolidating. The pair closed at resistance levels of 1.2120. Traders are looking towards upcoming ECB meeting and European Council meeting for some headway. Nearest resistance is at 1.2145 whereas fall could lead the pair to support at 1.2000

**GBPUSD 0.81% weekly change** ↑

Although egged on by weaker USD, Brexit fears are reining in the pair's advance to a certain degree. Market participants await the outcome of negotiations ahead of the EU Summit. Nearby support and resistance are at 1.3385 and 1.3505 respectively.

**AUDUSD 0.60% weekly change** ↑

AUD/USD closed at 0.7421, up by 0.60% during the week. A break above 0.7500 coupled with weaker USD could see the pair testing 0.8000 again. However, new tariffs announced by Beijing and other tensions between Australia and China could dampen market expectations.

**USDJPY 0.17% weekly change** ↑

Despite the weaker greenback, USDJPY remains stable gaining 0.17% last week closing at 104.14. Tokyo covid-19 alert at highest levels and other concerns are threatening the Nikkei 225 and may lead the yen to rise.

**USDCNY 0% weekly change** ↔

Compared to last weeks -0.66% change, this week shows no change in USDCNY. Last seen trading at 6.5301. Policymakers are confident with the rise of Yuan expecting it to rise to 6.4 against USD in 2021.

## Money Market and Interest Rate

### Money Market

The call money market was quite liquid last week. The weighted average call rate decreased by 2 bps from 1.89% to 1.87%. Average daily interbank repo volume decreased by 12.6% from 31 bio to 27 bio and average interbank repo rate remained around the same level of 0.75%. Apart from this, BDT 13.6 bio has been injected from USD sell to Bangladesh Bank last week.

**Treasury Auction:** Auction for 2Y T-bond was held last week for BDT 15.0 bio. Yield decreased by 40 bps and there was no devolvement on BB. Auction for 91D and 364D T-bill for BDT 15.0 & 10.0 bio respectively was held today. Yields decreased by 10 bps and 42 bps respectively for 91D & 364D T-Bill.

**Outlook:** Due to the non-acceptance of reverse repo by the central bank and lack of short term investment instrument to park excess liquidity, market is expected to remain liquid till the end of this calendar year.

### Interest Rate

Net sales of national saving certificate has shown very good move and already achieved 78.21% of annual target by July-October period of FY'21. Net sales stood BDT 156.42 billion against the target of BDT 200.00 billion. This is 183.79% higher compare to the same period of previous year. For the implementation of 9% lending cap, all banks has reduced their deposit rate below 6% and left no option to savers rather than investing their surplus fund in saving certificate.

According to Bangladesh bank officials, if current trend exists, NSC Sales volume may exceeds BDT 400.00 bio at the end of the current fiscal year. A sharp increase in investment even after tightening the taxation policy indicated that there was no better investment option available for the investor.

In a fresh move the government is set to raise BDT 80 billion through sukuk or Islamic bonds this December and they will mature in five years and targeted to attract uninvested fund of BDT 117.4 bio of Islamic banks.

**Outlook:** Interest rate is expected to maintain downward trend.

### Capital Market

- Central Depository Bangladesh Limited (CDBL) has started to develop a module through which investors will be able to open BO accounts online by using one photograph, NID or passport number, one photo copy of bank's cheque book
- The government's revenue earnings from the Dhaka Stock Exchange (DSE) dropped 15% month-on-month in November as share sales by sponsor-directors and placement holders fell drastically
- The IPO (initial public offering) subscription of Energypac Power Generation will commence on Monday under book building method with a view to raise capital worth BDT 1.5 billion to expand the LPG business and repay bank loans along with catering the expense of IPO proceeds

## Market Synopsis

### Treasury Bill & Bond Yields

Latest Issue Date	Tenor	Latest Yield	Previous Yield
07-Dec-20	91 Days	0.65%	0.75%
09-Nov-20	182 Days	1.76%	1.96%
07-Dec-20	364 Days	2.07%	2.49%
02-Dec-20	2 Years	3.71%	4.11%
11-Nov-20	5 Years	5.01%	4.36%
18-Nov-20	10 Years	5.92%	5.63%
24-Nov-20	15 Years	7.00%	7.04%
24-Nov-20	20 Years	7.18%	7.54%

### USD LIBOR

1M	2M	3M	6M	1Y
0.1518	0.1886	0.2259	0.2558	0.3368

### Capital Market

Index	Value	Weekly Change
DSEX	5,024.39	3.19%
FTSE 100	6,550.23	2.87%
Nikkei 225	26,751.24	0.40%
Dow Jones IA	30,218.26	1.03%
S&P 500	3,699.12	1.67%

### Commodities

Commodity (unit)	Latest Price	Weekly Change
Brent Crude Oil (BBL)	49.25	2.22%
Gold (OZS)	1,838.38	2.82%
ICE-US Cotton (LBS)	69.86	-2.54%
Soybean (BSH)	1163	-2.41%
Wheat (BSH)	566.5	-5.03%
Sugar (LBS)	14.44	-2.56%
Palm Oil (Tonne)	897.75	4.24%
Steel (Tonne)	815	2.13%

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

Indicator	India	Pakistan	China	Bangladesh
CPI (YoY) (% change)	7.61%	8.35%	0.50%	6.44%
GDP Annual Growth Rate	-7.50%	1.91%	4.90%	5.24%
Policy Repo Rate	4.00%	7.00%	3.85%	4.75%
Government Bond 10Y	5.897%	9.91%	3.301%	5.92%

### Released Economic Data (G8 Countries)

Indicator	USA	UK	Eurozone	Japan
CPI (YoY)	1.20%	0.70%	-0.30%	-0.40%
GDP Growth Rate	33.10%	15.50%	12.60%	5.00%
Unemployment Rate	6.70%	4.80%	8.40%	3.10%
Base Rate	0.25%	0.10%	0.00%	-0.10%
Government Bond 10Y	0.9725%	0.349%	-0.13%*	0.029%

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

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