

Treasury Weekly



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Currency Outlook

USDBDT Exchange Rate

Market still shows high demand for the greenback to meet foreign currency payment requirements. The growing demand for the greenback has been created mainly due to higher import payment obligations following big purchases of textile products along with an upward trend in various commodities including fuel oil in the global market. In the forward market, USD /BDT is trading up to 86.50 (BAFEDA). FX reserves have deflated slightly to USD 45.065 bio (10 Nov 2021).

Bangladesh's trade deficit widened over threefold in the first quarter (Q1) of the current fiscal year for higher import-payment pressure. The country's trade imbalance with the rest of the world increased by USD 4.46 billion to USD 6.50 billion during the July-September period of the FY 2021-22. Import expenses jumped 47.59% while export earnings recorded an 11.57% growth in Q1 of FY '22 (BB). The overall import costs stood at USD 17.32 billion in the July-September period of FY '22 against USD 11.74 billion in the same period a year before. To improve exports, BB has announced a cash incentive at 4% for four new export sectors. Exports against tea, bi-cycle and its parts, MS steel products and cement sheet, which are produced locally, will get 4% cash incentives in the current financial year.

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

Global Currencies

EURUSD -1.04% weekly change ↓

EUR/USD printed a year-to-date low around 1.1430 and consolidates around the 1.1440s region, extending its losses to three days in a row. If the trend accelerates, it could slide as low as 1.1255.

GBPUSD -0.59% weekly change ↓

GBP/USD climbs above 1.3400 as dollar loses traction after University of Michigan's Consumer Sentiment Index fell to its lowest level in a decade. On the downside, 1.3360 aligns as initial support ahead of 1.3300.

AUDUSD -0.95% weekly change ↓

AUD/USD trims weekly losses, hover around 0.7315 on dismal UoM Consumer Sentiment. The AUD/USD seems to be moving in US dollar profit-taking. The Australian 10-year bond yield drops one basis point at 1.795%, contrary to the abovementioned US 10-year Treasury.

USDJPY 0.40% weekly change ↑

USD/JPY reached two-week tops around 114.00 retreating the upward but fell amid US dollar weakness across the board. It seems that the move was triggered by USD bulls taking profits as investors head into the weekend.

USDCNY -0.30% weekly change ↓

USD/CNY declines as China property sector concerns ease slightly. USD/CNY opens 0.1% lower after another failure at 6.4075-6.4100 resistance. Downside limited by global inflation concerns, elevated U.S. yields. Support 6.3820-6.3850; extended consolidation in 6.3800-6.4100 range likely.

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Money Market and Interest Rate

Money Market

Money market has become slightly less liquid in the previous week. Average daily call money transaction was increased by 1.59 % to 84.45 bio and the weighted average rate increased by 8 bps to 2.41%. Interbank repo volume decreased by 2.6% and reached 26.41 bio, but the rate increased by 27 bps to 2.06%. BB sold USD 48 mio in the last week which wiped out BDT 4.11 bio from the market.

Auctions for T. Bond 5Y for BDT 20 bio was held last week. The yield went up by 74 bps and BDT 3.69 bio were devolved on PDs. Auctions for T. Bills 91D and 364D were held today for BDT 10 bio each. Yields increased by 52 bps and 38 bps respectively.

Outlook: Call money market is expected to be upward due to increased bank borrowing by government and liquidity control mechanism by central bank through BB bill.

Interest Rate

ADP implementation rate has inched up to 13.06% in July- October 2021 (12.79% last year) but remains below pre-pandemic levels (~14%). Accordingly in the first four months of the current financial year, the government's year-on-year bank borrowing grew around 20%. The government borrowed Tk19,640 crore from the banking system in 01 July-31 Oct FY 2021-2022 period. Drop in sales of savings certificate is another factor of increased bank borrowing for financing budget deficit. In September NSC sales declined by 22% MOM. Private sector credit growth increased marginally to 8.77% in Sept'21 YOY. The increased imports and opening up of economic activities in post Covid environment is expected to increase private sector credit growth in coming days.

Liquidity Tightening scenario is continuing in the money market with outstanding Bangladesh Bank Bill of BDT 153.8 bio and continuous USD selling by BB to the inter-bank participants.

Outlook: Interest rate is expected to continue its upward trend amid dual liquidity mopping up activity of central bank and expected demand for credit due to increased import.

Capital Market

- Stocks extended the gaining streak for the third straight session on Thursday with rising turnover as investors continued to put fresh bets on sector-wise shares. DSEX went up by 13.74 points or 0.19% to settle at 6,995.
- Shares of BRAC Bank have soared after Japanese investment company SoftBank agreed to acquire a 20% stake in its subsidiary bKash. The price of BRAC Bank's shares jumped to BDT 48.70 from BDT 44.30 – a 9.93% increase.
- Government's revenue collection from Dhaka Stock Exchange (DSE) plunged by 22% or BDT 113 million in October compared to a month earlier due to a decline in turnover on the prime bourse

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Market Synopsis

Treasury Bill & Bond Yields

Latest Issue Date	Tenor	Latest Yield	Previous Yield
03-Nov-21	7 days (BB Bill)	1.95%	1.95%
03-Nov-21	14 Days (BB Bill)	2.46%	2.45%
28-Oct-21	30 Days (BB Bill)	2.65%	2.44%
08-Nov-21	91 Days	3.38%	2.86%
08-Nov-21	182 Days	3.49%	3.08%
25-Oct-21	364 Days	4.05%	3.67%
03-Nov-21	2 Years	4.80%	4.18%
13-Oct-21	5 Years	6.50%	5.76%
27-Oct-21	10 Years	6.80%	6.33%
27-Oct-21	15 Years	7.20%	6.44%
27-Oct-21	20 Years	7.46%	6.50%

Capital Market

Index	Value	Weekly %
DSEX	6,941.37	1.08%
FTSE 100	7,347.91	0.60%
Nikkei 225	29,609.97	-0.01%
Dow Jones IA	36,100.31	-0.63%
S&P 500	4,682.85	-0.31%

USD LIBOR

Tenor	LIBOR
1M	0.08913
2M	0.11888
3M	0.15500
6M	0.22600
1Y	0.39850

Commodities

Commodity (unit)	Latest Price	Weekly Change
Brent Crude Oil (BBL)	82.17	-0.69%
Gold (OZS)	1816.73	2.63%
ICE-US Cotton (LBS)	117.69	0.70%
Soybean (BSH)	1192.25	-3.52%
Wheat (BSH)	817.00	6.51%
Sugar (LBS)	20.01	0.35%
Palm Oil (Tonne)	1279.25	1.49%
Steel (Tonne)	1812.00	1.23%

Released Economic Data (South Asia & China)

Indicator	India	Pakistan	China	Bangladesh
CPI (YoY)	4.48%	9.20%	1.50%	5.59%
GDP Annual Growth Rate	20.1%	3.94%	4.90%	5.47%
Policy Repo Rate	4.00%	7.25%	3.85%	4.75%
Government Bond 10Y	6.368%	10.65%	2.945%	6.80%

Released Economic Data (G8 Countries)

Indicator	USA	UK	Eurozone	Japan
CPI (YoY)	6.20%	3.10%	4.10%	0.20%
GDP Growth Rate	2.00%	1.30%	2.20%	0.50%
Unemployment Rate	4.60%	4.50%	7.40%	2.80%
Base Rate	0.25%	0.10%	0.00%	-0.10%
Government Bond 10Y	1.5699%	0.922%	0.19%	0.079%

*10-Year Eurozone Central Government Bond Par Yield Curve