

Treasury Weekly



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Currency Outlook

USDBDT Exchange Rate

USD market continues to rise to keep up with the increasing demand for import payments. Central Bank has sold USD 150 mio to the market last week to facilitate high priority import payments. The foreign exchange reserve came down to 44.95 bio as on Nov 17, 2021. But the high demand from the import side persists while the remittance growth has not picked up the same pace.

The World Bank has projected lower remittance growth for Bangladesh compared to that of India and Pakistan in 2021 due to the slower outmigration of workers who have returned home at the height of the global coronavirus pandemic. Bangladesh's remittance receipts may stand at \$23 billion this year, which is 4.54 per cent higher than in 2020. Migrant workers sent home \$18.88 billion in the first 10 months of 2021, up 7 per cent from \$17.61 billion during the same period last year. Cash incentives by the govt and some banks, digitalization, linkage between banks and bKash and criteria relaxation by BB also helped raise the inflow.

On the other hand, LC settlements fell by 5.26% to 5.27 bio and LC openings fell by 15% to 5.63 bio in October. However, fuel import prices have jumped by 230%. The government's expenditure last month in letter of credit (LC) settlement for fuel is also 87.43% higher compared to USD 192.03 million in Sep'21 this year (BB).

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 -1.40% weekly change ↓

EUR/USD suffered heavy losses for the second straight week. Renewed concerns over nationwide lockdowns in Europe hurt the common currency. On the downside, 1.1250 could be seen as the first support before 1.1200 and is likely to encounter resistance at 1.1370.

GBPUSD 0.30% weekly change ↑

GBP/USD slumps toward 1.3400 on renewed dollar strength as USD index is closing in on 2021-highs above 96.00. Supports are located at 1.3400 and 1.3350. On the upside, 1.3550 aligns as the next target.

AUDUSD -1.36% weekly change ↓

the AUD/USD pair lost its traction and dropped to its weakest level since early October at 0.7232. Failure at 0.7250 will target 0.7171 and then 0.7106. On the upside, 0.7340 is the next resistance.

USDJPY 0.11% weekly change ↑

USD/JPY is trading below 114.00, after a renewed risk-aversion wave gripped markets on the covid resurgence in the Euro area. Bears now challenge the critical horizontal line at 113.87.

USDCNY 0.11% weekly change ↑

The price action of the USDCNY pair has been range-trading. Bearish pressure has been slowly accumulating. Bears can look for an opportunity to sell at 6.4156 on the expectations for a subsequent dropdown to the previous swing low at 6.3570.

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Money Market and Interest Rate

Money Market

Money market was moderately illiquid the past week. Average daily call money transaction has decreased by 14.08% to BDT 72.57 bio and the weighted average rate has catapulted to 3.75% and increase of 135bps compared to last week. Interbank repo volume has increased by 19.53% to BDT 31.57bio, and the weighted avg. rate has increased by 160bps to 3.66%. BB sold USD 150 mio last week and wiped out BDT 12.87 bio from the market.

Auctions for T. Bond 10Y for BDT 20 bio was held last week. The yield went up by 64 bps and BDT 7.18 bio was devolved on PDs. BB provided ALS facilities to PDs totaling BDT 1.35 bio last week. Auctions for T. Bills 91D and 182D T-bill were held today, cut off yield went up by 12 and 40 bps respectively. Last week, 7D BB bill was cancelled and yield on 30D BB Bill remained at the same level at 2.65%. Total BB bill outstanding stands at BDT 103.76 bio.

Outlook: Call money market is expected to become gradually liquid in the coming days as Bangladesh Bank is accepting less fund from through BB Bill.

Interest Rate

Although banking sector is facing liquidity stress, surplus fund is surprisingly up by 0.6% month on month. In October, surplus fund in the banking system totaled BDT 2208 bn, 76% of which is concentrated to only 13 banks as some of them are preferring parking funds in securities. Amidst all these, the net balance of Bangladesh Government Islamic Investment bond hit an all-time high of BDT 157 billion in the last fiscal year. The balance swelled by 145.31% year-on-year from BDT 64 billion in FY20.

ADP implementation rate has increased to 13.06% in Jul- Oct 2021 (12.79% last year). The income tax revenue in the ongoing fiscal year grew by 7.9% compared to the same period last fiscal year although it fell short of the target. On the other hand, the Ctg. custom revenue collection has increased by 23.09% compared to the same period of the last fiscal year.

BB has sharply reduced sales of the BB bills amid soaring interest rates on the interbank money market. In this scenario BB has started giving liquidity support to PDs. Liquidity tightening scenario is likely to continue with outstanding BB bill of BDT 103.76 bio and continuous USD selling by BB to the inter-bank participants. The central bank has sold USD 1.82 billion so far this fiscal year.

Outlook: Interest rate is expected to maintain its upward trend due to increasing credit growth. However, this is subject to upcoming regulatory actions.

Capital Market

- DSE saw a rise in turnover riding on banking sector which witnessed significant participation from investors. Following investors' increased participation, the banking sector solely contributed 43.5% in market turnover featured by the DSE.
- Two new mudaraba perpetual bonds -- IBBL 2nd Mudaraba Perpetual Bond (BDT 8.0 bio) and SJIBL Mudaraba Perpetual Bond (BDT 0.5 bio) -- is open for public subscription from 22 Nov 2021. The subscription through the electronic subscription system of the stock exchanges will continue until December 02.

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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% |
| 22-Nov-21 | 91 Days | 3.50% | 3.38% |
| 22-Nov-21 | 182 Days | 3.89% | 3.49% |
| 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% |
| 17-Nov-21 | 10 Years | 7.44% | 6.80% |
| 24-Nov-21 | 15 Years | 7.97% | 7.20% |
| 24-Nov-21 | 20 Years | 7.99% | 7.46% |

Capital Market

| Index | Value | Weekly % |
|--------------|-----------|----------|
| DSEX | 7085.67 | 2.08% |
| FTSE 100 | 7223.57 | -1.69% |
| Nikkei 225 | 29,745.87 | 0.46% |
| Dow Jones IA | 35,601.98 | -1.38% |
| S&P 500 | 4,697.96 | 0.32% |

USD LIBOR

| Tenor | LIBOR |
|-------|---------|
| 1M | 0.09238 |
| 2M | 0.13775 |
| 3M | 0.16963 |
| 6M | 0.24388 |
| 1Y | 0.42563 |

Commodities

| Commodity (unit) | Latest Price | Weekly Change |
|-----------------------|--------------|---------------|
| Brent Crude Oil (BBL) | 78.89 | -3.99% |
| Gold (OZS) | 1844.60 | -1.04% |
| ICE-US Cotton (LBS) | 119.22 | 1.30% |
| Soybean (BSH) | 1263.25 | 2.37% |
| Wheat (BSH) | 823.00 | 0.73% |
| Sugar (LBS) | 19.99 | -0.10% |
| Palm Oil (Tonne) | 1301.00 | 0.21% |
| Steel (Tonne) | 1800.00 | -0.66% |

Released Economic Data (South Asia & China)

| Indicator | India | Pakistan | China | Bangladesh |
|------------------------|-------|----------|-------|------------|
| CPI (YoY) | 4.35% | 9.20% | 1.50% | 5.59% |
| GDP Annual Growth Rate | 20.1% | 3.94% | 4.90% | 5.47% |
| Policy Repo Rate | 4.00% | 8.75% | 3.85% | 4.75% |
| Government Bond 10Y | 6.35% | 10.93% | 2.92% | 7.44% |

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% | -0.80% |
| Unemployment Rate | 4.60% | 4.50% | 7.40% | 2.80% |
| Base Rate | 0.25% | 0.10% | 0.00% | -0.10% |
| Government Bond 10Y | 1.58% | 0.91% | 0.25% | 0.08% |

*10-Year Eurozone Central Government Bond Par Yield Curve