

# Treasury Weekly



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## Currency Outlook

### USDBDT Exchange Rate

Remittance flows into the country fell further in Nov, indicating that money transfers may be taking place in greater bulk through byways. The money sent home by Bangladeshis working abroad amounted to USD 1.55 bio in Nov '21, down 5.66% from Oct '21. The inward flow of remittance dropped by nearly 21% to USD 8.61 bio during the Jul-Nov period of the current fiscal year, from USD 10.89 billion in the same period of the previous fiscal. Exports on the other hand show a rosier picture. Single month export earnings in November'21 registered a 31.25% growth to USD 4.04 billion year-on-year. Overall export earnings also surpassed the set target by 13.27%, according to the provisional data of EPB.

On the import front, banks are still struggling to meet FCY requirement to make payments. The government spent 230% more, USD 359.93 million to be exact, in Oct'21 for fuel import compared to USD 108.97 million in the corresponding period last year, according to the latest Bangladesh Bank data. 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, according to the central bank's LC opening and settlement data. Added to that, BB server glitch has hampered Bangladesh's foreign trade for nearly a week by slowing export-import operations. However, BB expects the problem to be resolved shortly. In the interbank market, USD/BDT spot rate remains at USD/BDT 85.80 with forwards trading up to USD/BDT 88.17

**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 -0.09% weekly change ↓

EUR/USD retreats below 1.1300 area as NFP-inspired dollar weakness fades and for rising US Treasury bond yields. The pair was testing 1.1290, additional losses could be witnessed toward 1.1235.

#### GBPUSD -0.82% weekly change ↓

GBP/USD drops to 1.3250 area with the initial market reaction to the gloomy US November jobs report. GBP/USD is testing 1.3280 static support. The next target on the downside 1.3200/1.3195.

#### AUDUSD -1.69% weekly change ↓

AUD/USD plunges to new YTD lows around 0.7005, bears target 0.7000. Bear market sentiment hurts the prospect of risk-sensitive currencies in the FX market, the AUD weakens.

#### USDJPY -0.45% weekly change ↓

USD/JPY fell back to weekly lows in the 112.50 region though has since bounced as volumes fade. The pair reversed from as high as the 113.50s as risk appetite deteriorated and drove long-term US yields lower.

#### USDCNY -0.25% weekly change ↓

USD/CNH slides to 6.3693, maintaining bearish bias. 3-year low of 6.3526 notched in May could soon be tested. Jobs and perky services data highlighted warnings from Fed officials that they might accelerate policy.

## Money Market and Interest Rate

### Money Market

Money market became adequately liquid last week due to BB bill maturity and auction cancellation until further notice. Average daily call money transaction has decreased by 11.77% to BDT 48.58 bio and the weighted average rate has decreased to 3.48% a decrease of 77 bps compared to last week. Interbank avg. repo volume has decreased by 2.16% to BDT 20.60 bio and the weighted avg. rate has increased by 104 bps to 2.54%. BB sold USD 125 mio last week and wiped out BDT 10.72 bio from the market.

Multiple auctions for 91D, 182D & 364D T-bill took place last week and today. The latest cut offs for 91D, 182D & 364D T-bill plummeted drastically to 2.40%, 3.25% & 3.49% respectively due to surplus liquidity. BB might be trying to deal with surplus liquidity by taking more auction volume than the announced auction amount. Total BB bill outstanding stands at BDT 23.56 bio.

**Outlook:** Money market is likely to remain liquid till the end of this calendar year.

### Interest Rate

Private sector credit growth has soared at 9.44% in Oct'21 which is the highest level for past one year. This showed 7.64% growth compare to previous month. Both economic resumption and commodity price fueled credit growth to move up. The demand for loans, however, steadily ticked upwards from June, after lifting of the movement restrictions imposed during the pandemic. Consumer Prices Index rose 11 bps to 5.7% in Oct'21 from 5.59% in Sep'21 according to the Bangladesh Bureau of Statistics. Global commodity price hike, recovery from coronavirus, an unprecedented level of shipping charges and supply constraints pushed up the prices of essentials, mounting pressures on the import-dependent countries. As a result, several essential and non-elastic item in Bangladesh like rice, cooking oil, sugar and fuel prices are still in uptrend trend which is pushing overall index to shoot up. Rising imports had already put a pressure on greenback price and compelling banks to buy from the central bank.

To normalize liquidity crunch due to the credit growth and cash outflow due to dollar purchase, BB has announced not to mop up any liquidity from the market through BB Bill. Between August and November, the central bank mopped up BDT 0.689 trio through the BB bills whereas current BB bill outstanding is BDT 23.56 billion only.

**Outlook:** Interest rate is expected to remain stable for shorter term, but credit growth and inflationary pressure might fuel the liquidity crunch unless omicron variant makes overall economy stagnant again.

### Capital Market

- Beximco Synthetics has applied to the securities regulator to be delisted from the stock market. The company has applied to the BSEC seeking its commission's consent-in-principle for the exit plan of above 55.77 million securities
- Green Delta Dragon Asset Management Company Limited (Green Delta Dragon) announces its award of an Asset Management License from the Bangladesh Securities and Exchange Commission (BSEC). Green Delta Dragon is a joint-venture asset manager founded by Green Delta Insurance Company Ltd (GDIC), Dragon Capital Management (HK) Ltd. (Dragon Capital) and Equinox Dhaka Ltd. (Equinox).

## 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%
10-Nov-21	14 Days (BB Bill)	2.46%	2.45%
18-Nov-21	30 Days (BB Bill)	2.65%	2.44%
06-Dec-21	91 Days	2.40%	2.61%
05-Dec-21	182 Days	3.25%	3.89%
06-Dec-21	364 Days	3.49%	4.00%
03-Nov-21	2 Years	4.80%	4.18%
10-Nov-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	6965.63	2.83%
FTSE 100	7,122.32	1.11%
Nikkei 225	28,029.57	-2.51%
Dow Jones IA	35,601.98	2.01%
S&P 500	4,538.43	-1.22%

### USD LIBOR

Tenor	LIBOR
1M	0.10413
2M	0.14038
3M	0.18763
6M	0.27113
1Y	0.46150

### Commodities

Commodity (unit)	Latest Price	Weekly Change
Brent Crude Oil (BBL)	69.88	-15.04%
Gold (OZS)	1783.74	-0.45%
ICE-US Cotton (LBS)	109.30	-9.20%
Soybean (BSH)	1267.25	0.06%
Wheat (BSH)	794.50	-5.05%
Sugar (LBS)	18.75	-5.92%
Palm Oil (Tonne)	1224.00	-1.45%
Steel (Tonne)	1615.00	-2.77%

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

Indicator	India	Pakistan	China	Bangladesh
CPI (YoY)	4.48%	11.50%	1.50%	5.70%
GDP Annual Growth Rate	8.40%	3.94%	4.90%	5.47%
Policy Repo Rate	4.00%	8.75%	3.85%	4.75%
Government Bond 10Y	6.37%	12.14%	2.91%	7.44%

### Released Economic Data (G8 Countries)

Indicator	USA	UK	Eurozone	Japan
CPI (YoY)	6.20%	4.20%	4.90%	0.10%
GDP Growth Rate	2.10%	1.30%	2.20%	-0.80%
Unemployment Rate	4.60%	4.30%	7.40%	2.80%
Base Rate	0.25%	0.10%	0.00%	-0.10%
Government Bond 10Y	1.36%	0.74%	0.15%	0.06%

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

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