

# Treasury Weekly



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## Currency Outlook

### USDBDT Exchange Rate

Bangladesh Bank is continuing its sale of USD to the interbank market to support banks in meeting foreign currency payments. Market data shows the central bank has released USD 2.02 billion in the past four months. A total of USD 129 million has been sold to different commercial banks during the first nine days of the current month. Market is continuing to show demand for the Greenback, meanwhile BDT has depreciated by 1 taka against USD increasing from 84.80 in Aug 17, 2020 to USD/BDT 85.80 on Nov 14, 2021.

The country's trade deficit increased to USD 9.09b in the first four months of the current fiscal year with the Covid-19 pandemic fading away, the country's month-on-month trade deficit widened 35% in October owing to an increase in imports compared to exports. Until September, the country's trade deficit was USD 6.73b. Exports in October this year were approx. USD 4.73b, which is around a 60% increase compared to the same period last year. But the pace is slowing down in November. The export receipts were about USD 686m lower than those in October this year, according to the latest provisional data released from EPB. Remittance inflow has continued to drop for six consecutive months till November, registering an 18-month low. Bangladeshi expatriates remitted USD 1.55b in November, a nearly 25.25% year-on-year decline.

**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 -0.02% weekly change** ↓

Strengthened USD is making the pair plunge below 1.1300. The pair is expected to fall further to 1.1245 levels. Investors look forward to critical central bank meetings for some clear direction. A test of 1.1185 levels is not unexpected.

**GBPUSD 0.30% weekly change** ↑

Rising Covid cases and Omicron may put the pair under pressure. BoE and Fed Decisions will be the main movers. If able to sustain above 1.3250 the pair may test 1.3400/1.3415 levels.

**AUDUSD 2.43% weekly change** ↑

Pick up in USD demand has created selling pressure on the pair. With FOMC policy decision in the limelight the pair is expected to remain bearish. Support levels at 0.7089 and then 0.7063. Resistance remains at 0.7186 level.

**USDJPY 0.51% weekly change** ↑

With strengthening USD the pair may quite easily move towards 115.40 levels again. Further upside for the US dollar against the Japanese yen may be driven by higher US Treasury yields. Support remains at 111.95 level.

**USDCNY -0.11% weekly change** ↓

It is expected that appreciation pressures will be alleviated following PBOC decision regarding serve requirement ratio for FX deposits. The move to raise the RRR on FX deposits reduces the supply of dollars and thus put pressure on the yuan to weaken USD/CNH slides to 6.3699 maintaining bearish bias.

## Money Market and Interest Rate

### Money Market

Money market became adequately liquid last week. Average daily call money transaction has increased by 7.25% to BDT 52.10 bio and the weighted average rate has decreased to 2.58% a decrease of 90 bps compared to last week. Interbank avg. repo volume has decreased by 14.43% to BDT 17.63 bio and the weighted avg. rate has increased by 31 bps to 2.23%. BB sold USD 79 mio last week and wiped out BDT 9.35 bio from the market.

**Auction:** 2Y T-bond auction took place last week and cut of remained around the same level at 4.79%. 91D and 364D T-bill held place today and cut off remained unchanged at 2.40% & 3.49%.

**Outlook:** Money market is likely to be liquid till the end of this calendar year considering BB does not mop up liquidity through BB bill/T-bill/bond auction.

### Interest Rate

Sale of saving certificate slump further and had a negative growth of 72.87% in Oct'21 compare to previous month and scored BDT 766.00 crore. Net sales up to Oct'21 was BDT 9,488 crore which is 57% lower than same period of last fiscal year and 29.65% lower from current year target of BDT 32,000 crore. As a consequence, Government is borrowing heavily from banking system through Treasury Bill/Bond and borrowed BDT 73.2 bio more than declared auction calendar. Government has already borrowed BDT 17,979 crore from banking sector in first five months of running fiscal year.

NBR collected BDT 1,002.67 billion in Jul-Nov showing 15% YOY growth and 30.38% of total target. Target for this fiscal year is BD 330,000.00 crore.

BB has washed away BDT 15,980 crore till now in this fiscal year through USD sell to inter-bank. Notably, inflation has jumped up to 5.70% in Oct'21 from 5.59% a month ago. As bank deposit cost is associated with inflation rate, this hike will increase overall cost of fund for the bank.

Credit flow to the industrial sector has registered more than 12% jump year-on-year in July-September of the current year as economic activities bounced back with improved pandemic situation.

**Outlook:** Interest rate is expected to remain stable at its current level and market will remain moderately liquid to avoid any crowding out effect maintaining a balance between private sector credit growth and government bank borrowing

### Capital Market

- To enhance depth of the stock market, BSEC is accelerating its initiatives to list good companies including SoEs. The premier bourse DSE has invited some 80 business groups including top ones to attend a conference to be held on December 21.
- Robi is revising its IPO fund utilization plan and extending project completion time frame. In this regard, an EGM will be held on January 24, 2022 at 3:00pm
- Grameenphone has gained more market share despite the imposition of significant market power rules on the company. Grameenphone's market share inched up to 46.39% at the end of October 2021 from 46.21% in June 2020

## 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%
13-Dec-21	91 Days	2.40%	2.40%
05-Dec-21	182 Days	3.25%	3.89%
13-Dec-21	364 Days	3.49%	3.49%
08-Dec-21	2 Years	4.79%	4.80%
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 %	USD LIBOR	
			Tenor	LIBOR
DSEX	6,920.35	-0.65%	1M	0.10863
FTSE 100	7,291.78	2.38%	2M	0.14950
Nikkei 225	28,437.77	1.46%	3M	0.19825
Dow Jones IA	35,970.99	1.04%	6M	0.28825
S&P 500	4,712.02	3.82%	1Y	0.50938

### Commodities

Commodity (unit)	Latest Price	Weekly Change	USD SOFR	
			Tenor	SOFR
Brent Crude Oil (BBL)	75.15	7.54%	Overnight	0.05
Gold (OZS)	1782.51	-0.07%	1M	0.10863
ICE-US Cotton (LBS)	106.23	-2.81%	3M	0.14950
Soybean (BSH)	1267.75	0.04%	6M	0.19825
Wheat (BSH)	782.00	-1.57%	1Y	0.28825
Sugar (LBS)	19.71	5.12%	Source	Reuters, CME Term SOFR Reference Rates
Palm Oil (Tonne)	1243.50	1.59%		
Steel (Tonne)	1606	-0.56%		

### 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%	11.94%	2.85%	7.44%

### Released Economic Data (G8 Countries)

Indicator	USA	UK	Eurozone	Japan
CPI (YoY)	6.80%	4.20%	4.90%	0.10%
GDP Growth Rate	2.10%	1.30%	2.20%	-0.90%
Unemployment Rate	4.20%	4.30%	7.30%	2.70%
Base Rate	0.25%	0.10%	0.00%	-0.10%
Government Bond 10Y	1.48%	0.74%	0.17%	0.05%

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

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