

Treasury Weekly



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Currency Outlook

USDBDT Exchange Rate

EPB data shows, export earnings posted USD 4.04 bio in Nov 2021. Though export receipts surpassed the USD 3.58 billion target set for November, growth fell by approx. 14.4% MOM in Nov 21 whereas YOY growth in Nov 22 registered 31.25% compared to 60.37% in last month. Bangladesh now ranks third in RMG exports to the US, as it fetched USD 5.7 billion from the destination in 10MCY21, up by 27% YoY. Bangladesh apparel makers have been receiving an additional flow of work orders because of a drastic fall in China's factory outputs fuelled by energy shortages, and pandemic-led supply chain disruptions in Vietnam and Indonesia. Remittance inflow in Nov 21 was USD 1.55 bio, fell by 25.26% YOY, while the amount was 1.65 bio in Oct 21. The increased in export of manpower is expected to add to the remittance flow from March onwards.

Bangladesh's import payments surged by around 54% in the first five months of the current fiscal year compared to previous – indicating a strong and steady economic recovery. Import bills in July-November swelled 53.74% year-on-year to USD 30.3 billion, while the settlement of Letters of Credit (LC) in the corresponding period last year stood at USD 19.72 billion. In the first five months of this fiscal year capital machinery import saw 30% growth, the central bank's latest data show. In the first five months of this fiscal year capital machinery import saw 30% growth, the central bank's latest data show. During the period import growth of intermediate goods was 70%, chemical fertilizer 105%, yarn 103% and drugs and medicines more than 1,000%. Bangladesh Bank is continuing its sale of USD to banks to help them meet FCY payments of essentials and sold USD 234 mio from 01 Dec till 27 Dec 2021. In the interbank market, forwards are trading up to 86.50 (BAFEDA).

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 0.71% weekly change ↑

The shared currency losses against the greenback but remains above the 1.1300 figure. The greenback benefits from thin liquidity conditions gaining ground against all G8 currencies. Static resistance seems to have formed at 1.1340 ahead of 1.1360. Supports are located at 1.1310 and 1.1290

GBPUSD 1.13% weekly change ↑

GBP/USD consolidates gains above 1.3400 amid thin holiday trading. The GBP/USD pair could accelerate the appreciating move and aim to reclaim the key 1.3500 psychological mark. Support is at 1.3370/75 level and resistance is at 1.3450/60 level.

AUDUSD 1.40% weekly change ↑

AUD/USD trades with modest losses around 0.7230 area, just below one-month high. The risk-on mood should help limit any meaningful slide for the perceived riskier aussie. Resistance is at 0.7280/90 level.

USDJPY 0.65% weekly change ↑

USD/JPY consolidates recent gains to near one-month high, steady below mid -114.00s. Subdued USD price action capped the upside amid year-end thin liquidity conditions. The fundamental backdrop supports prospects for an extension of the recent move up.

USDCNY -0.13% weekly change ↓

USD/CNY fix estimated 6.3683 from prev 6.3651, with damping. Beware even bigger than usual deviation from forecasts. Yuan trade-weighted index has hit new 6-yr high. PBOC said they will keep FX stable to help exporters.

Money Market and Interest Rate

Money Market

Money market was adequately liquid last week. Average daily call money transaction has increased by 1.49% to BDT 62.68 bio and the weighted average rate has increased to 2.68% an increase of 18bps compared to last week. Interbank avg. repo volume has increased by 1.79% and the weighted avg. rate has decreased by 19 bps to 1.98%. Interbank SND volume has decreased by 15.50% to 1.58 bio and wt. avg. rate has increased by 21 bps to 2.77%. Interbank term volume has increased by 32% to 0.7 bio and wt. avg. rate has decreased by 119 bps to 4.56%.

Auction: 91D and 364D T-bill auction took place today and cut off decreased by 3bps to 2.37% and 2 bps to 3.47% respectively. 15Y and 20Y T-bond auction will take place on 28th.

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

Interest Rate

Government is set to slash budget for current fiscal year for 1.6% from actual target for lower ADP implementation. Revised budget size would be BDT 5.94 trio. ADP will also be cut down by 4.43% to 2.15 trio. Though government could achieve 7% higher ADP implementation YOY basis, it could only utilized 23% of total budget which is BDT 1.32 trio. Revenue generation target will remain unchanged. NBR growth is satisfactory compare to previous year but yet behind from target. NBR target was set at BDT 3.30 trio for FY22 and the collection was BDT 1.00 trio in the first five months, up 15% from same period of previous year. NSC sales for first four months stood at BDT 0.9 trio which is 29.14% of the total target. Subsequently, government is leaning towards bank borrowing to cover up the budget deficit. From July to December 15, government took BDT 27.2 bio from banking sector. Private sector credit growth has reached at 9.44% in Oct'21 and import payment also showed 51.4% growth YOY in first five months. So, both accelerated credit growth and import payment might put additional pressure on market liquidity.

Bangladesh bank has enhanced assured liquidity support (ALS) tenor for PD banks against BGTB to manage their liquidity efficiently. Under the latest provision, the dealer banks are allowed to enjoy the ALS facility for three consecutive months instead of the existing two- month timeline.

Outlook: Interest rate is expected to remain upward due to inflationary pressure triggered by higher global commodity and energy prices and exchange rate pressure.

Capital Market

- Prof Shibli Rubayat-Ul-Islam, chairman of BSEC, has urged investors not to panic when the stock market index falls, reasoning that fluctuations are normal. Investors are encouraged to start making purchases at that time which will help the index to rise.
- BSEC relaxed its 2015 order that restricted margin loans for buying shares that change their category in the bourses . As per the new rule, the shares which improve their category from 'Z' to 'A' or 'B' will remain non-marginable only for their first seven days of trading
- BSEC has approved Southeast Bank and Meghna Bank to collect BDT 200 crore and BDT 500 crore, respectively, by issuing bonds. The two coupon bearing subordinated bonds are non-convertible and fully redeemable. The coupon rates for the two bonds are between 7% (floor) and 9% (ceiling). The face value of each unit of the two bonds is BDT 1.0 crore.

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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%
10-Nov-21	14 Days (BB Bill)	2.46%	2.45%
18-Nov-21	30 Days (BB Bill)	2.65%	2.44%
27-Dec-21	91 Days	2.37%	2.40%
20-Dec-21	182 Days	3.24%	3.25%
27-Dec-21	364 Days	3.47%	3.49%
08-Dec-21	2 Years	4.79%	4.80%
15-Dec-21	5 Years	6.55%	6.50%
22-Dec-21	10 Years	7.42%	7.44%
24-Nov21	15 Years	7.97%	7.20%
24-Nov-21	20 Years	7.99%	7.46%

Capital Market

Index	Value	Weekly %
DSEX	6,629.88	-2.28%
FTSE 100	7,372.10	1.41%
Nikkei 225	28,782.59	0.83%
Dow Jones IA	35,950.56	1.65%
S&P 500	4,725.79	2.28%

USD LIBOR

Tenor	LIBOR
1M	0.10125
2M	0.14938
3M	0.21788
6M	0.34325
1Y	0.56713

Commodities

Commodity (unit)	Latest Price	Weekly Change
Brent Crude Oil (BBL)	76.14	3.56%
Gold (OZS)	1,808.12	0.58%
ICE-US Cotton (LBS)	109.12	1.70%
Soybean (BSH)	1,332.00	3.64%
Wheat (BSH)	814.75	5.13%
Sugar (LBS)	19.24	0.68%
Palm Oil (Tonne)	1,221.25	5.58%
Steel (Tonne)	1,616.00	-1.85%

USD SOFR

Tenor	SOFR
Overnight	0.05
1M	0.05141
3M	0.07521
6M	0.17110
1Y	0.36035
Source	Reuters , CME Term SOFR Reference Rates

Released Economic Data (South Asia & China)

Indicator	India	Pakistan	China	Bangladesh
CPI (YoY)	4.91%	11.50%	2.30%	5.98%
GDP Annual Growth Rate	8.40%	3.94%	4.90%	5.47%
Policy Repo Rate	4.00%	8.75%	3.80%	4.75%
Government Bond 10Y	6.46%	11.66%	2.83%	7.42%

Released Economic Data (G8 Countries)

Indicator	USA	UK	Eurozone	Japan
CPI (YoY)	6.80%	4.20%	4.90%	0.10%
GDP Growth Rate	2.30%	1.10%	2.20%	-0.90%
Unemployment Rate	4.20%	4.30%	7.30%	2.70%
Base Rate	0.25%	0.25%	0.00%	-0.10%
Government Bond 10Y	1.49%	0.92%	0.10%	0.07%

*10-Year Eurozone Central Government Bond Par Yield Curve

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