EAST WEST UNIVERSITY

Department of BBA

Course Code
FIN101

Course Title
Principle of Finance

Term Paper

“Teasury-Bond Rate of Last 10 Years”

Section : 01 Group No : 02	Semester Summer2024

Submitted By :

Students Name	ID	Contribution
Abrar Hossain Zahin	**2022-2-60-040**	Statistical Analysis, Recommendations
Tamim Hasan Saykat	**2022-1-60-289**	Abstract and Finding
Rifath Mahmud	**2022-1-60-208**	Executive summary, Introduction, Conclusion
Rezaur Rahman Habib	**2020-1-10-380**	Observation
Md. Sabbir Rayhan Opy	**2019-1-10-005**	Literature review and Finding

Submitted To

Leo Vashkor Dewri,
Senior Lecturer,
Department of Business Administration

Date of Report Submitted : 22 September, 2024

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Letter of Transmittal

20 September, 2024

To
Leo Vashkor Dewri
Senior Lecturer
Department of Business Administration
East West University, Dhaka, Bangladesh

Honorable Sir,
We are pleased to submit our term paper topic "Treasury-bond Rate of Last 10 Years" as a part of the Principles of Finance (FIN101) course at East West University.

I am pleased to transmit the research findings on the "Treasury-bond Rate of Last 10 Years in Bangladesh" as per our recent discussions. Throughout the research and writing process, we have made every effort to provide a well referenced, thoroughly researched analysis and comprehensive overview of the treasury bond rates in Bangladesh over the past decade, highlighting significant trends and fluctuations.

We would like to express my gratitude to Leo Vashkor Dewri sir, our instructor for the course, for his guidance, expertise, and unwavering support throughout the development of this paper. His mentorship has been instrumental in shaping the quality and depth of my research.

We believe that this term paper proves to be informative and insightful for your purposes.. Thank you for considering our term paper. We eagerly await your evaluation and feedback, which we believe will contribute to our academic growth and understanding of this important banking tool.

Sincerely,
Abrar Hossain Zahin
ID# 2022-2-60-040
On behalf of the group

Acknowledgements

2.1 Executive summary:

In this paper aiming to assay the volatility of Bangladesh Treasury bond yields from the time 2015 to 2024 where only those bond yields have been considered where maturity is between 2 times and up to 20 times. Government adopting instrument similar as storeroom bonds are essential in measuring both, profitable volatility and investor confidence situations. Through assaying data from Bangladesh Bank on bond yields and interest rate, the study measures the goods of the affectation rates, government borrowings and global fiscal situation that has taken place in the last ten times. Treasury bonds yields declined from the time 2015 to 2018 which means that the frugality in the country was stable, affectation was regulated, and its borrowing costs were also low. But from the time 2019 onwards, bond yields started to go over due to factors similar as increase in affectation rates and the continuously rising demand for finances by the government. The situation has been worsened by the COVID-19 epidemic that caused temporary oscillations in the yields but saw sharp rise post epidemic. This increase on the other hand indicates rampant inflationary pressures as well as increase in cost of borrowing by the government.

The paper especially focuses on affectation and government borrowing and offers practical knowledge for policy- makers, share investors and fiscal judges to manage the challenges. Introducing recommendation on the directive changes to financial policy, domestic investment, translucency and development of new fiscal instruments to enhance investors' confidence. also, long term profitable planning and a good bond request security is recommended to reduce pitfalls on the frugality and enable long- term profitable growth.

2.2 Rational for Choosing the Topic

The selection of Bangladesh's treasury bond rates over the last decade is driven by the imperative to understand the nation's economic progression. As Bangladesh emerges as a significant player on the global stage, it is essential to scrutinize the elements shaping its financial markets. This study aims to explain the economic mechanisms, governmental strategies and investor sentiments that cast the financial landscape of Bangladesh, focusing on the fluctuations in treasury bond rates to reveal insights into these dynamic forces.

Abstract

This term paper represents the changes in the cut off yield of Treasury bonds issued by Bangladesh Bank from 2015 to 2024. The main goal is to explore how economic factors, inflation,and the government's need to borrow money changed bond yields over time. We analyze the cut off yields of different Treasury bonds over the past decade and use graphs to illustrate the trends.For example, in 2015, the cut off yield for 2-year bonds was 7.146%, but it fell to its lowest point in 2021 at 3.3%. In 2024, it jumped to 12.04%, showing higher borrowing costs. Similar changes happened with the 5-year, 10-year, 15-year, and 20-year bonds, with the 20-year bond reaching a high of 12.49% in 2024. Overall,The data shows that bond yields increased a lot from 2022 to 2024.This analysis shows that inflation, government borrowing, and the economy had a big effect on bond yields. When things were stable, the yields were lower, but when costs and economic pressure rose, the yields went up. This information is important for investors to judge the risks and returns of long-term investments, and and assists decision-makers in understanding the financial situation better.

Introduction

The Treasury bonds rate is one of the most significant profitable pointers, which reflects the cost of borrowing for a country's government on a consideration of time horizons. Treasury bonds are particularly important in Bangladesh as they're dependable sources for government to fund their expenditures, determine interest rates and influence financial markets. The treasury bond rate in Bangladesh has seen dynamic flugtuations over the last decade in which financial policy shifts, inflation rates and economic reforms playing an important part both domestically and globally. Specifically, this paper seeks to review the trends in Treasury bond rates in Bangladesh that has prevailed for the last ten times to identify factors that lead to oscillations. We'll also look at how these rates have been affected by domestic financial measures, profitable growth rate and other world events. Likewise, this paper will assess the impact of changes in bond rate on fiscal requests, investment and growth of Bangladesh economy. By providing empirical analysis of the Treasury bond rate of the last decade, the study will offer insights into future trends and potential effects on the nation's profitable stability and growth path.

Literature review

Treasury bonds are an essential component of a nation's financial system and understanding their dynamics is crucial for analyzing the economy. Governments issue these bonds to raise funds, and investors buy them with the promise of regular interest payments. The yield on these bonds fluctuates due to factors such as inflation, government borrowing and overall economic conditions. This review focuses on key studies regarding these factors and how they affect bond yields, with data sourced directly from the Bangladesh Bank's website.

One significant factor influencing bond yields is **inflation**. Studies indicate that higher inflation often leads to increased bond yields, as investors demand higher returns to compensate for the rising cost of living. Conversely, lower inflation results in lower yields, as investors are willing to accept smaller returns when the cost of living stabilizes. This trend is evident in many countries and is key to understanding bond performance.

Monetary policy, controlled by central banks like Bangladesh Bank, is another crucial factor. Central banks adjust interest rates to influence economic activity. During economic slowdowns, central banks may lower interest rates to stimulate borrowing and spending, leading to reduced bond yields. In contrast, stronger economic conditions often prompt interest rate hikes, pushing bond yields higher. The relationship between interest rates and bond yields is well-documented in economic literature.

Government borrowing also affects bond yields. When governments need to borrow extensively, particularly during economic challenges, they may offer higher yields to attract investors. While higher yields make bonds more appealing, they also increase borrowing costs for the government. Balancing this is critical for maintaining financial stability, especially in developing economies like Bangladesh.

Investor confidence is a final key factor. During periods of political or economic uncertainty, investors may demand higher yields to offset perceived risks. This has been observed globally, where bond yields surge in response to doubts about a government's fiscal management or economic conditions.

In summary, treasury bond yields are shaped by inflation, government borrowing, monetary policy, and investor confidence. Understanding these factors provides insight into the trends and fluctuations in Bangladesh's teasury bond market over the past decade.

Statistical Analysis and Finding

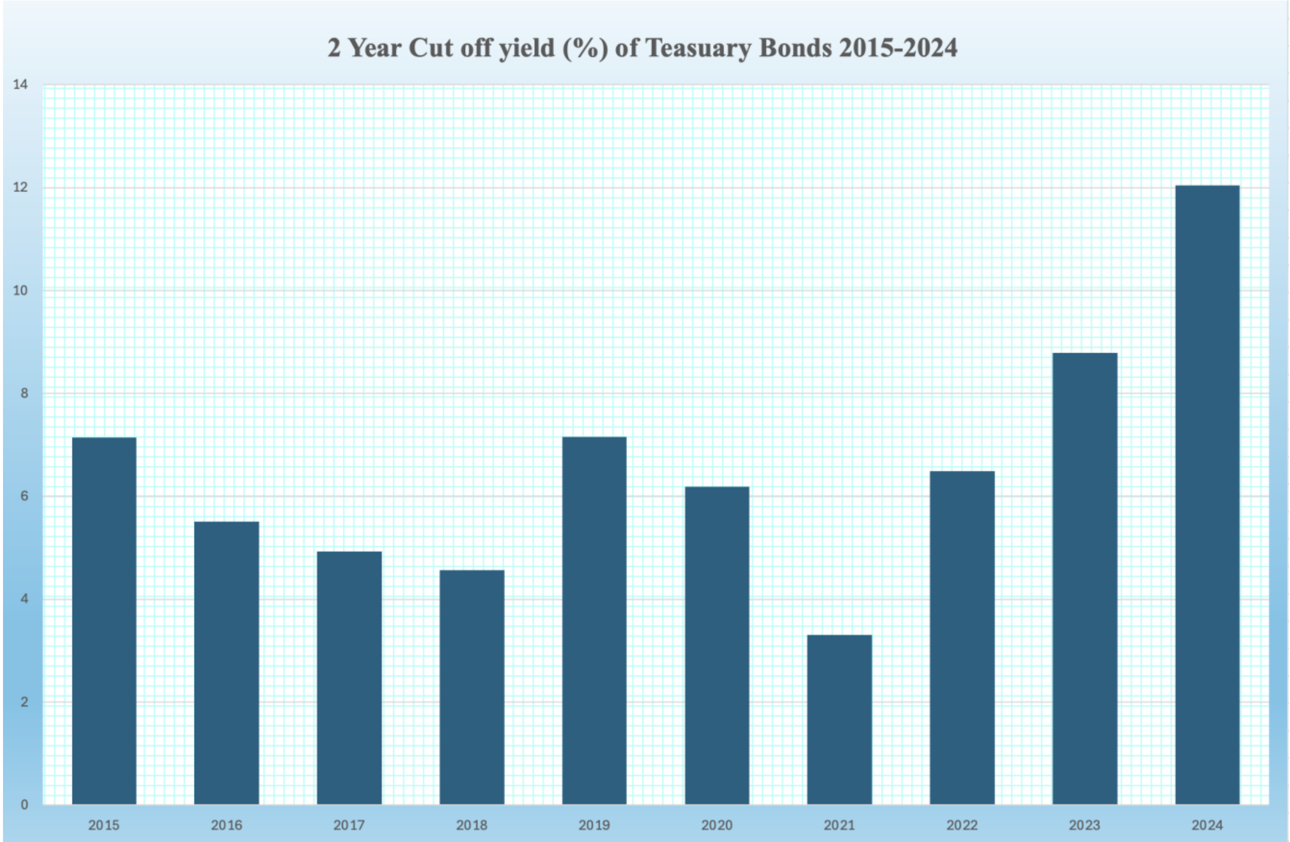

Figure-1 : 2 Year Cut off yield (%) of Teasuary Bonds 2015-2024

This chart shows the **2-year** cut off yield percentages for Bangladesh Treasury Bonds from 2015 to 2024. The cut off yield is the lowest return that investors are willing to accept for the bonds in a given year. Bond yield changes happen because of shifts in the economy, inflation, government policies, investor demand and interest rates.

As you can see,in 2015, the yield was 7.146%, meaning investors wanted a higher return for their investment. Between 2016 and 2017, the yield dropped slightly to around 4.9–5.5%, showing that the government could borrow money at a lower cost. This period of lower yields coincided with a relatively stable economic environment. In 2018, the yield stayed steady, similar to previous years. In 2019, the yield increased again to around 7.15%,which is indicate that borrowing costs were rising due to growing investor concerns about potential inflation. In 2020, bond yields decrease a bit, staying close to 6.19%. This drop happened during the **COVID-19 pandemic**, which caused big economic problems. To help the economy, the government lowered interest rates.

In 2021, yields hit their lowest point at about 3.3%. This means that borrowing costs were really low because the economy was in good shape, and the government was providing strong support during the pandemic.

However, In 2022, as the economy started to recover, bond yields began to rise again, reaching about 6.5%. This showed that borrowing costs were going up because of increasing **inflation** and changing economic conditions. In 2023, yields jumped significantly to around 8.8% and cut off yields are expected to reach their highest point at around 12.04%. This suggests that borrowing costs will be much higher, indicating that the economic situation might be getting challenging as the government adjusts to the changes after the pandemic.

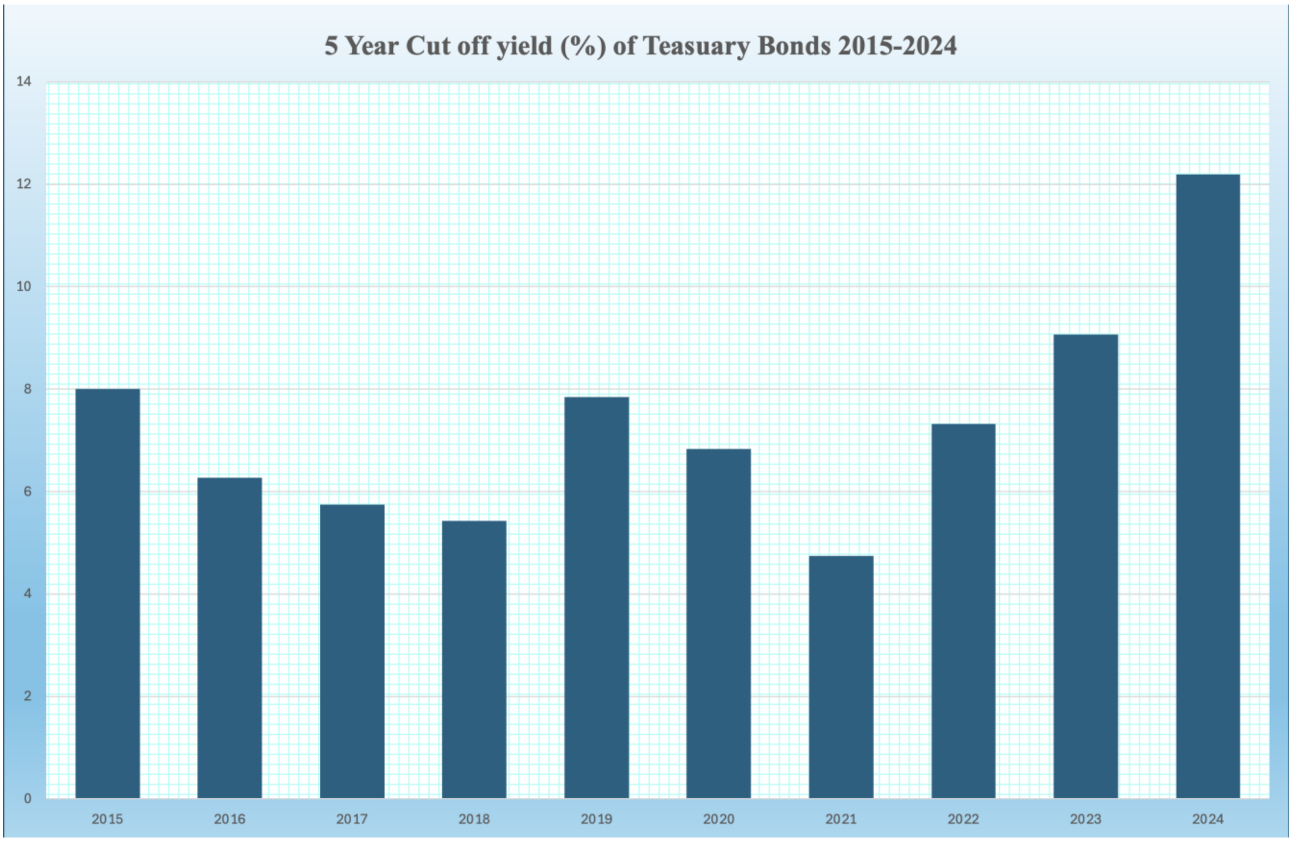

Figure-2 : 5 Year Cut off yield (%) of Teasuary Bonds 2015-2024

This chart displays the 5-year cut off yield percentages for Bangladesh Treasury Bonds from 2015 to 2024.As you can see, from 2015 to 2018, the cut off yield percentages started high and then stabilized around 5.5% to 8%, showing normal fluctuations. From 2017 to 2018, the cut off yield remained constant at around 5.5%,indicating a stable period. In 2019, it increased to about 7.8%, meaning borrowing costs went up or investors wanted more returns,due to rising inflation and growing investor concerns.

In 2020, the yield dropped slightly to 6.8%. This decline was influenced by the COVID-19 pandemic, which caused major economic challenges woridwide. To help the economy, the government lowered interest rates,and global supply chain issues affected local markets too. In 2021, yields fell to a low of around 4.7%, which made borrowing more affordable.

However, in 2022, as the economy started to recover, yields increased to around 7.3%. This increase was caused by more people wanting to invest and concerns-about rising inflation. **Global problems**, like **higher oil prices** and **conflict between countries**, also affected things.

In 2023, the yield jumped o 9%, showing higher borrowing costs. Finaly, in 2024, the yield reached its highest point at 12.19%. This big jump means borrowing costs have increased a lot, likely because of ongoing inflation and changes in global money policies Overall, the rise in yields from 2022 to 2024 shows how much the economy has changed.

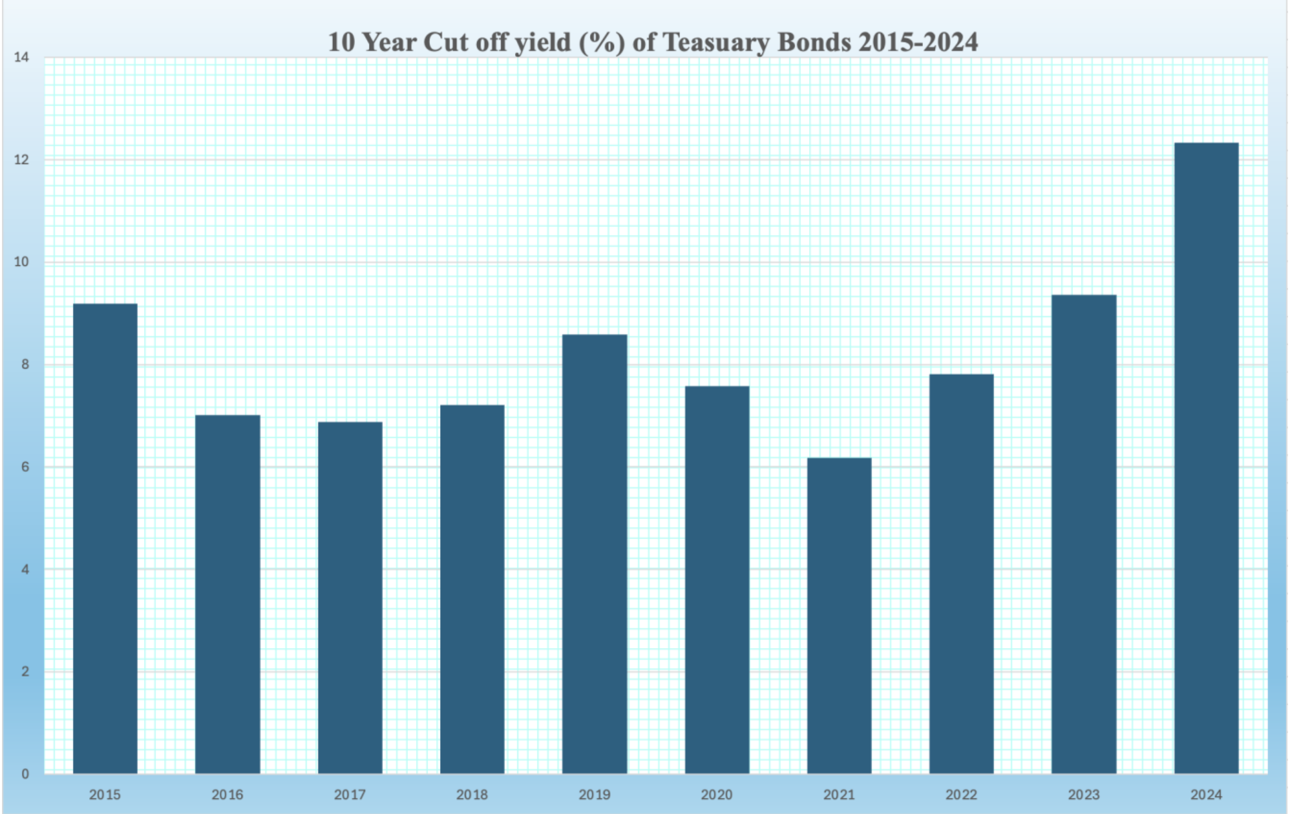

Figure-3 : 10 Year Cut off yield (%) of Teasuary Bonds 2015-2024

The chart shows the 10-year cutoff yield percentages for Bangladesh Treasury Bonds from 2015 to 2024. In 2015, the yield was high at around 9.2%, which means that the government was offering attractive returns to draw in investors, due to high inflation or significant borrowing needs. This high yield showed that investors wanted better rewards for taking on more risks with their investments.From 2016 to 2018, the yield dropped to around 7%, reflecting a stable economic period with less need for borrowing. However, in 2019, the yield increased to 8.6%, probably because of worries about inflation and increasing government debt which is indicated that investors were starting to be more careful about the future economic situation.

Cut off Yields fell again in 2020 and dropped more in 2021, reaching their lowest point. This drop in yields was influenced by the economic uncertainty during the **COVID-19 pandemic**, as the government tried to help the economy by keeping borrowing costs low.

After that, yields started to rise again, reaching about 7.8% in 2022 and 9.35% in 2023, possibly due to inflation. Finally, By 2024, yields jumped to about 12.33%, showing that there were big changes in the economy, like high inflation and more government borrowing.This large increase in 2024 contrasts with the lowest yield in 2021, showing how market conditions or government policies changed significantly over time.

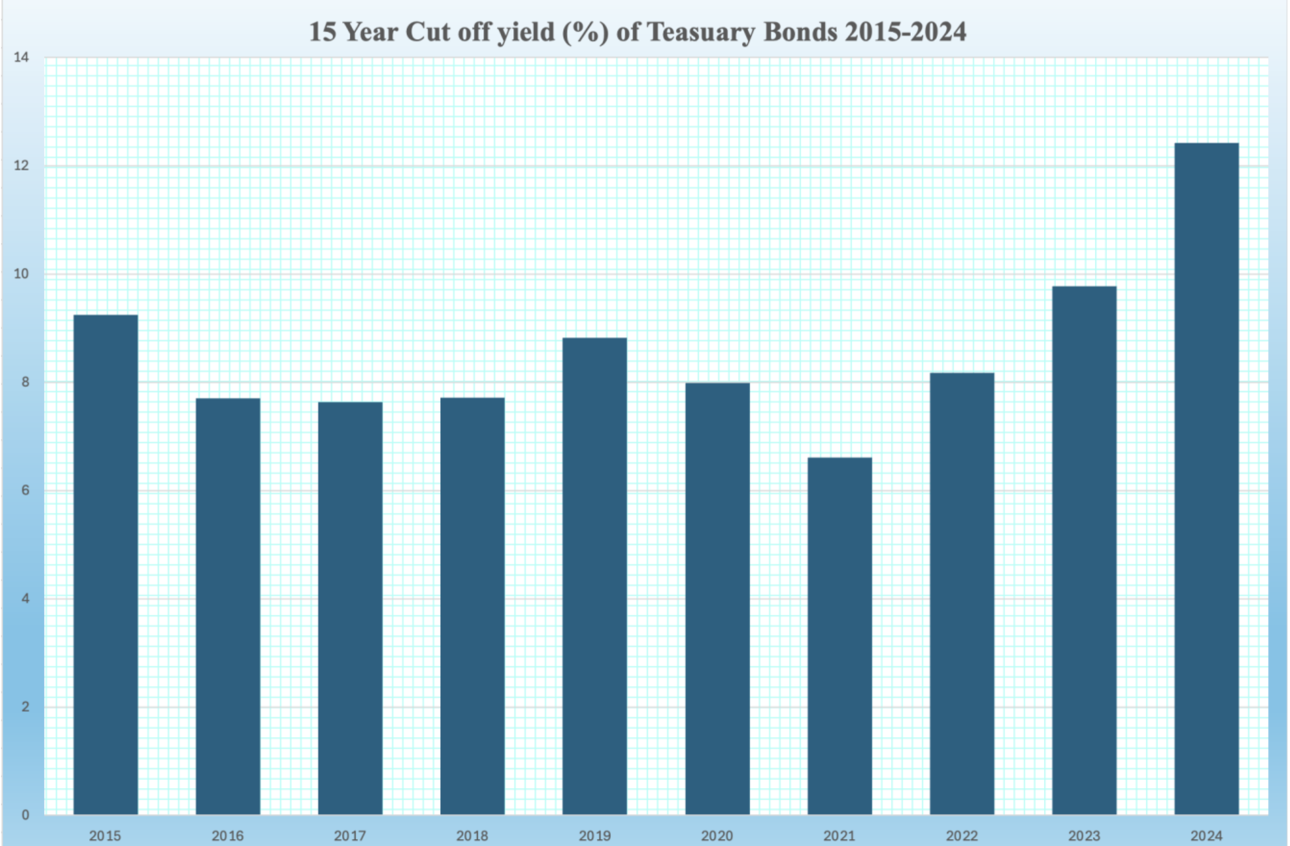

Figure-4 : 15 Year Cut off yield (%) of Teasuary Bonds 2015-2024

The chart shows the 15-year cut off yield percentages for Bangladesh Treasury Bonds from 2015 to 2024.Here,as you can see, in 2015, the yield was high at around 9%,meaning the government offered good returns to attract long-term investors,due to high inflation or borrowing needs. From 2016 to 2018, yields went down and stayed around 7.5%, indicating economy was stable and there was less need for the government to borrow money. It was a good time for investors, as inflation was under control. In 2019, the yield jumped back up to around 9%, due to This increase likely happened because people were worried about inflation and the growing government debt. Investors were becoming more careful about the future, especially with global issues like trade conflicts affecting economies everywhere.

Yields dropped again in 2020 and 2021,due to the economic recovery after the pandemic.The government kept borrowing costs low to help the economy recover from the crisis. Then starting in 2022, yields started to rise again, reaching 8.2% in 2022 and 9.77% in 2023.

Finally,in 2024,cut off yields are expected to hit 12.4%, which suggests high inflation or a greater need for borrowing. This sharp rise from the low in 2021 to the high in 2024 shows significant changes in the economy, influenced by government decisions and global events.

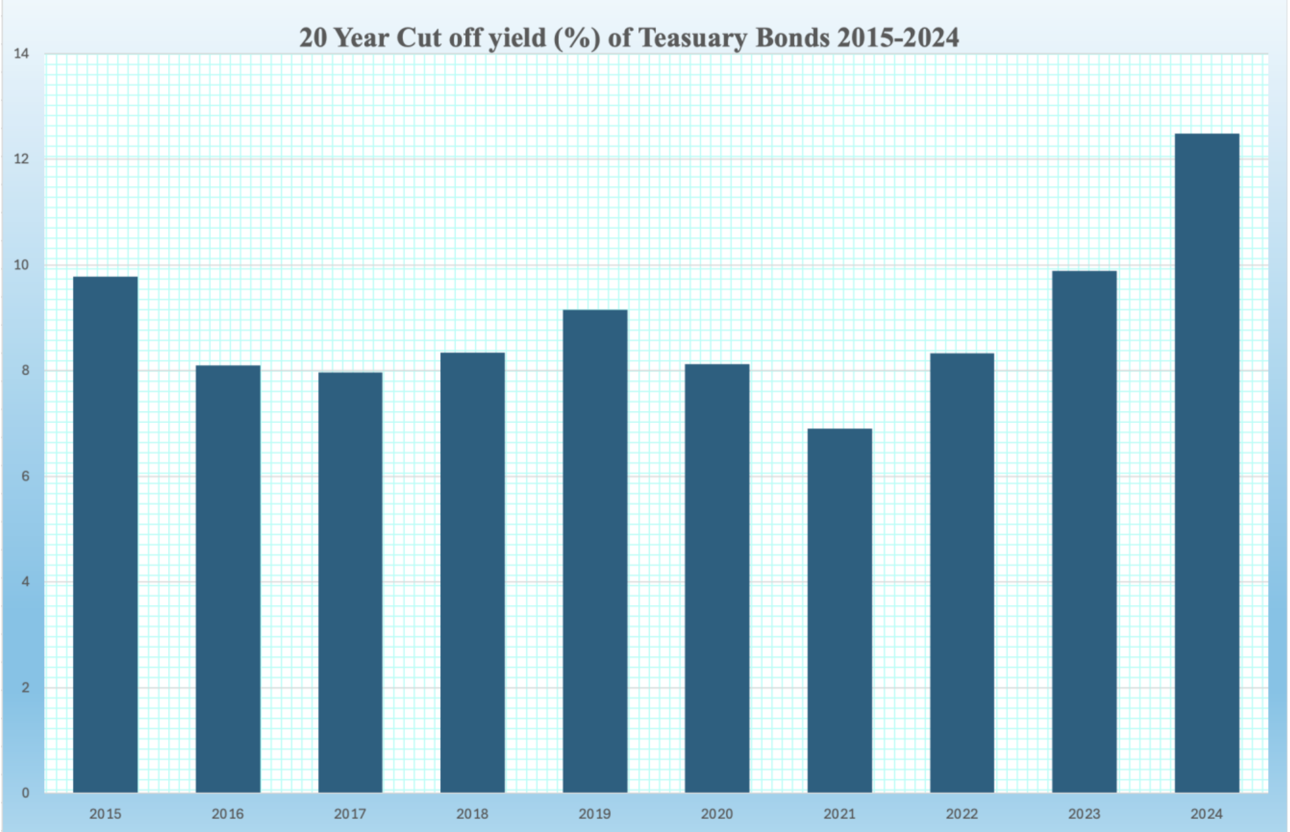

Figure-5 : 20 Year Cut off yield (%) of Teasuary Bonds 2015-2024

This chart displays the 20-year cutoff yield percentages for Bangladesh Treasury Bonds from 2015 to 2024.As you can see, From 2015 to 2018, yields were high at about 10% but then dropped to around 8%. This stable time showed that people were confident in the economy.The government needed to give good returns to attract long-term investors.

However, In 2019, cut off yields jumped to around 9.14%. This increase meant the government needed to borrow more money or that there were worries about inflation. Global issues like trade problems and changing prices for goods probably affected this too.In 2020,cut off yields again fell to 8.12%, and then to 6.9% in 2021,due to reflecting lower inflation or reduced borrowing demand during the **global pandemic** recovery period.

and finally you can see, from 2022 cut off yields started to increase again, reaching 8.3% and 12.5% in 2024.This increase shows that inflation is still a problem and that the government might face financial challenges. Global factors, like rising oil prices and changes in other countries monetary policies, also played a part.This big changes in cut off yields from 2022 to 2024 suggests the government needs to borrow more money and faces higher financial risks. As cut off yields rise, the government might need to offer better returns to attract bond investors. The change from low cut off yields in 2021 to high cut off yields in 2024 shows things have shifted in the market and government policies.

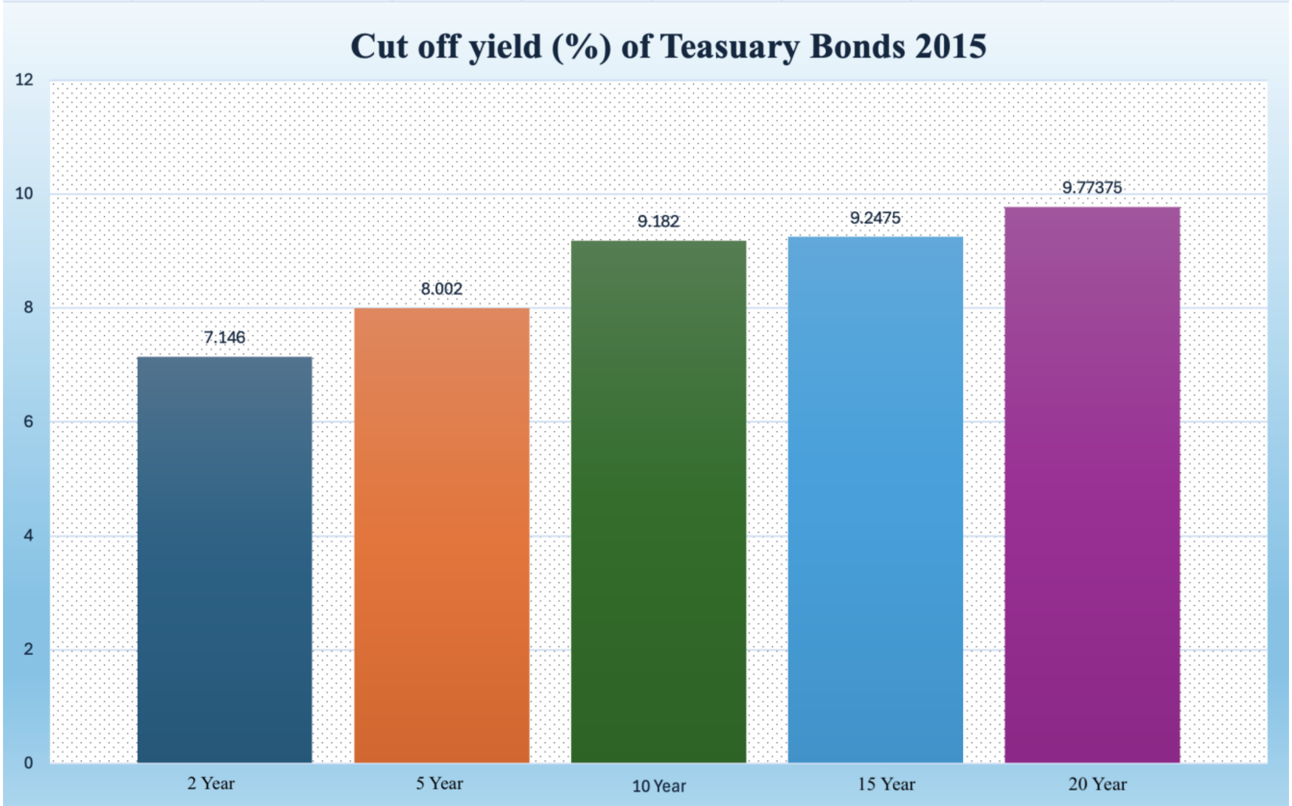

Figure-6 : Cut off yield (%) of Teasuary Bonds 2015

This chart shows the cut off yields (%) for Bangladesh Treasury Bonds in 2015 for five different bond periods: 2-year, 5-year, 10-year,15-year,and 20 years.The 2-year bond has the lowest yield at 7.15%, which means it is less risky because of the short investment time. As the bond period gets longer, the yields increase. The 10-year bond has a yield of 9.18%, and the 15-year bond is 9.25%. The highest yield is for the 20-year bond at 9.77%, which shows that investors want more returns for the longer time and higher risk. This pattern is normal because longer bonds have more risk due to things like inflation or changes in the economy.

For example: you putting money into the bank for a short 2-year plan, so you get a small interest rate because it's less risky. But for a long 20-year plan, the bank gives a higher rate to compensate for the longer wait and bigger risks.

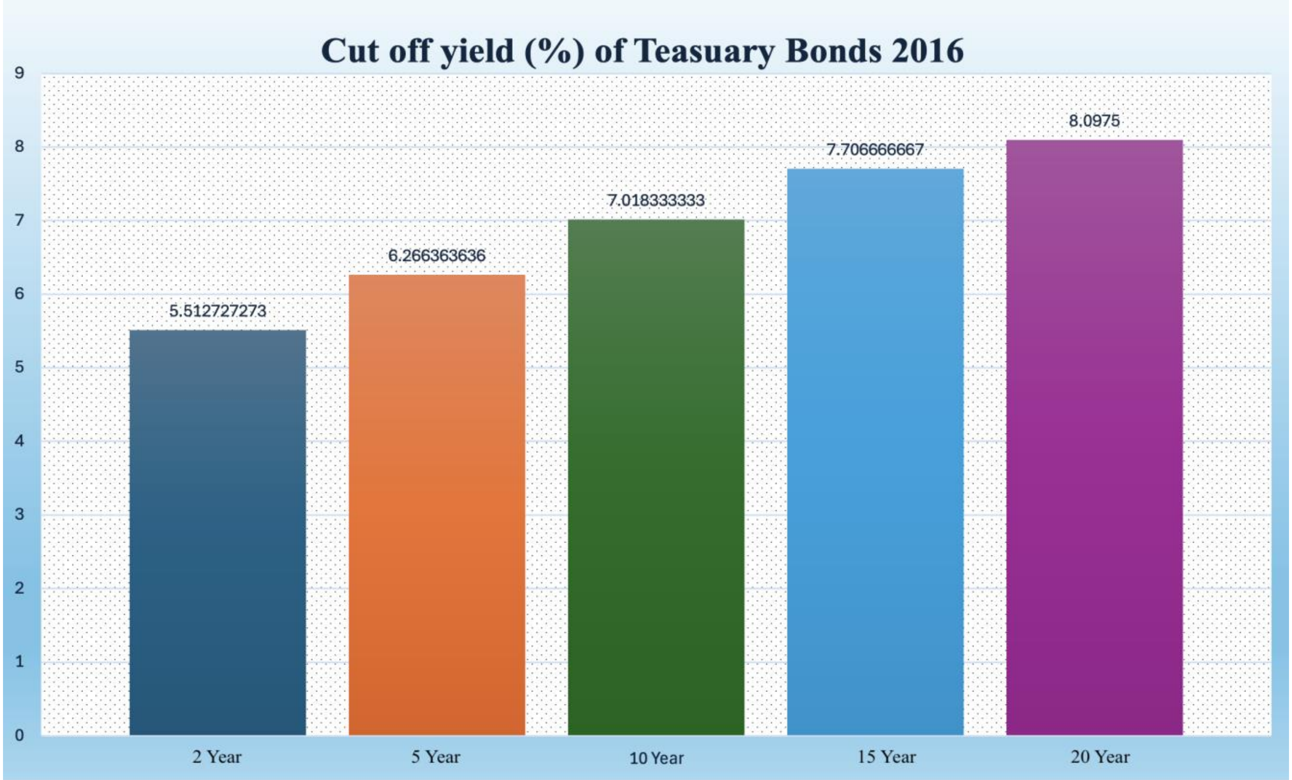

Figure-7 : Cut off yield (%) of Teasuary Bonds 2016

This chart shows the cutoff yields for Bangladesh Treasury Bonds in 2016, with yields increasing as bond terms get longer. The 2-year bond has the lowest yield at 5.51%, while the 20-year bond offers the highest yield at 8.10%. This indicates that short-term investments demand lower returns due to lower risk, while longer-term investments require higher returns because of higher risk. The yields rise slightly to 6.27% for 5-year bonds and increase further to 7.02% for 10-year bonds, as investors expect greater returns for longer commitments. The 15-year bond provides a yield of 7.71%, while the 20-year bond gives the highest yield at 8.10%. This gradual rise follows the common pattern, where longer-term bonds offer higher returns due to increased uncertainty and risk.

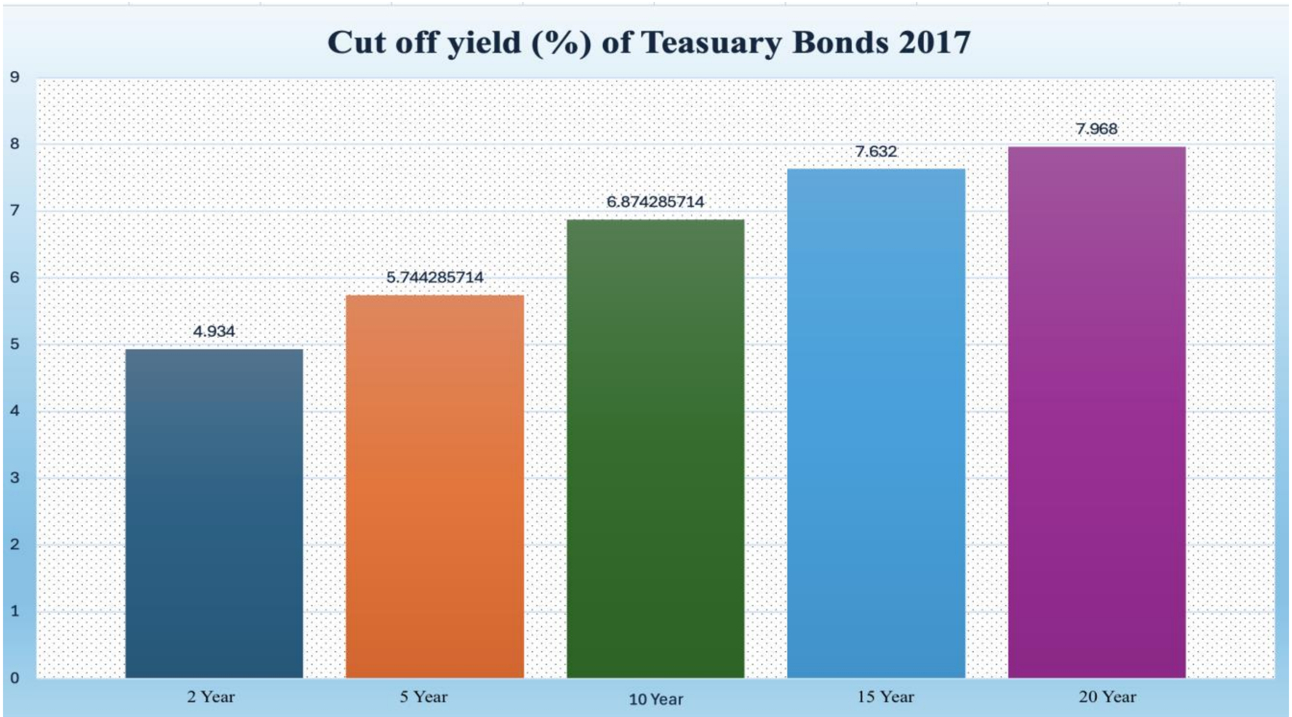

Figure-8 : Cut off yield (%) of Teasuary Bonds 2017

This chart shows the cutoff yields for Bangladesh Treasury Bonds in 2017, with yields increasing for longer maturities. The 2-year bond has the lowest yield at 4.93%, reflecting lower risk for short-term investments. Yields rise to 5.74% for 5-year bonds and 6.87% for 10-year bonds, as investors expect higher returns for longer commitments. The 15-year bond yields 7.63%, and the 20-year bond has the highest yield at 7.97%. This pattern is typical, where longer-term bonds offer higher returns to make up for the greater risk and uncertainty over time.

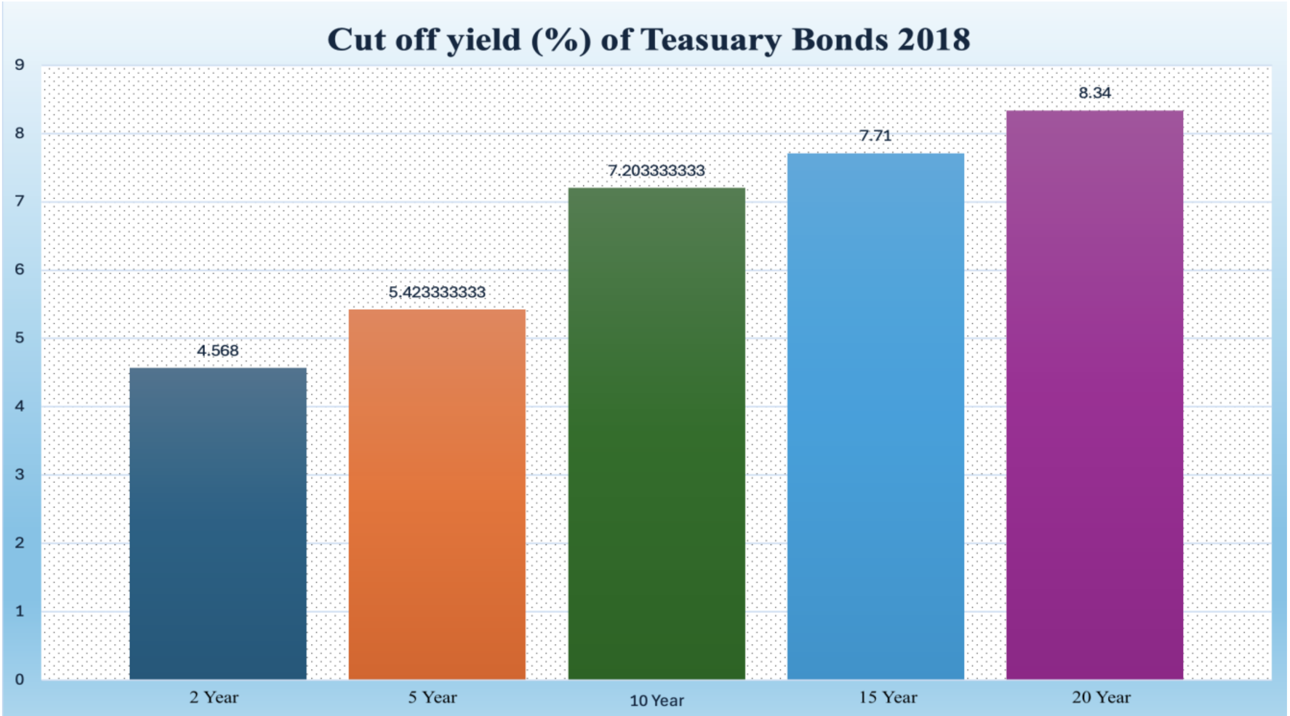

Figure-9 : Cut off yield (%) of Teasuary Bonds 2018

This chart shows the yields for Bangladesh Treasury Bonds in 2018. The longer the bond term, the higher the yield. The 2-year bond has the lowest yield at 4.57%, meaning it's less risky. Yields increase to 5.42% for 5-year bonds and 7.2% for 10-year bonds. The 15-year bond yields 7.71%, and the 20-year bond has the highest yield at 8.34%. This shows that longer bonds offer more return because they involve more risk and uncertainty.

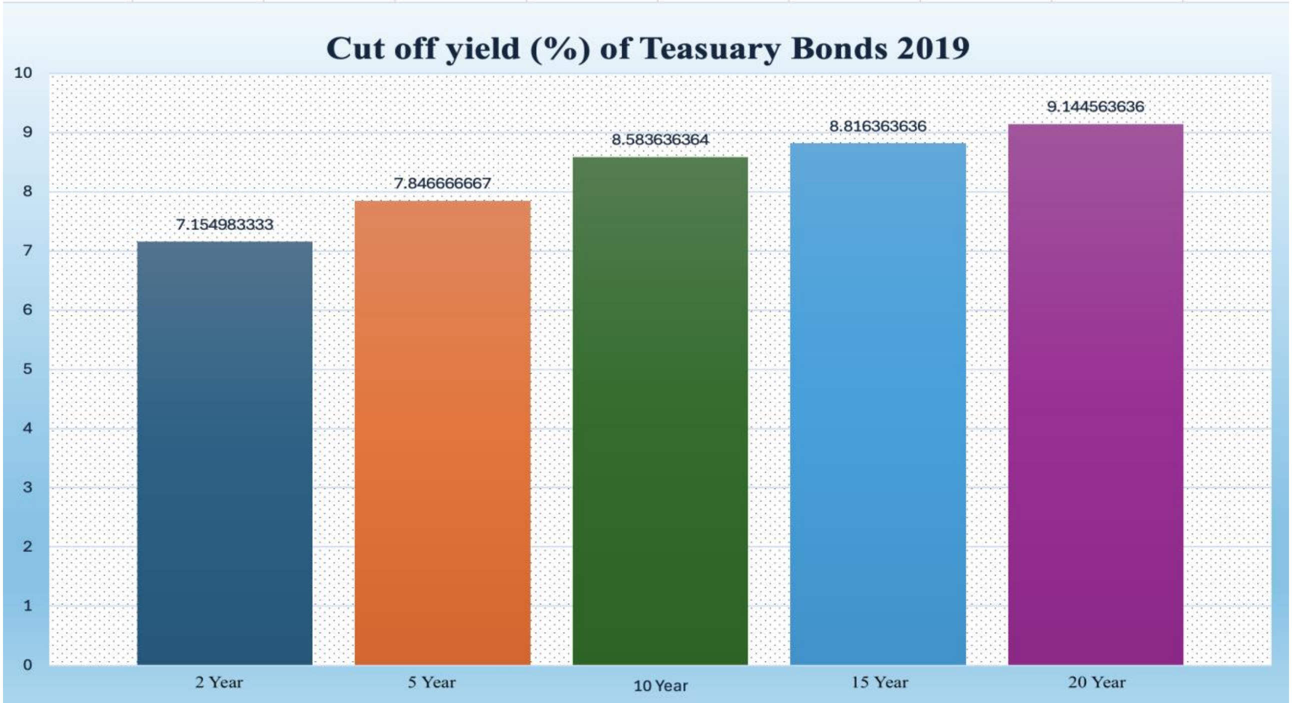

Figure-10 : Cut off yield (%) of Teasuary Bonds 2019

In Figure : 10, The chart illustrates the cutoff yield (%) of Bangladesh Treasury Bonds for different maturity periods in 2019, ranging from 2-year to 20-year bonds. The trend highlights that the longer the maturity period, the higher the yield, reflecting the greater risks and rewards associated with long-term investments. 2-year bonds have the lowest yield at 7.155%, as investors require lower returns for short-term commitments. 5-year bonds show an increase to 7.847%, reflecting moderate-term investment with slightly higher risk.10-year bonds offer 8.584%, showing a jump in yield as the maturity extends into a uncertain time frame. 15-year bonds yield 8.816%, as the government compensates investors further for the risks associated with long-term inflation and market volatility. Finally, 20-year bonds top the chart at 9.144%, the highest yield, attracting investors willing to lock their funds for two decades.

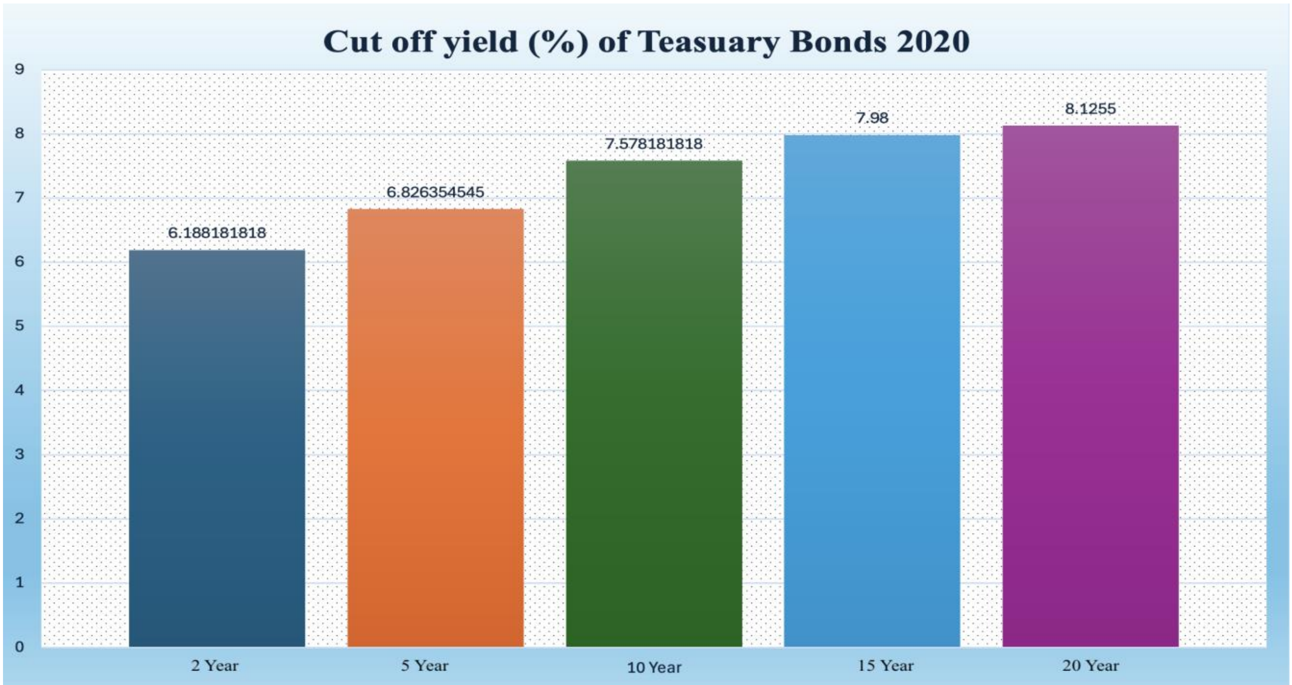

Figure-11 : Cut off yield (%) of Teasuary Bonds 2020

This chart shows the cutoff yields for Bangladesh Treasury Bonds in 2020, with yields increasing as bond terms get longer. The 2-Year bond has the lowest yield at 6.188%, while the 20-Year bond has the highest at 8.13%. This means short-term bonds offer lower returns because they are less risky, and long-term bonds offer higher returns due to more risk. The yields go up to 6.826% for 5-Year bonds and 7.578% for 10-Year bonds as investors want higher returns for longer investments. The 15-Year bond gives a yield of 7.98%, and the 20-Year bond has the highest yield at 8.125%. This gradual increase is common, as longer bonds usually provide higher returns because they have more uncertainty and risk. The COVID-19 pandemic also added to the risk, as the government needed to borrow more, leading investors to expect higher returns.

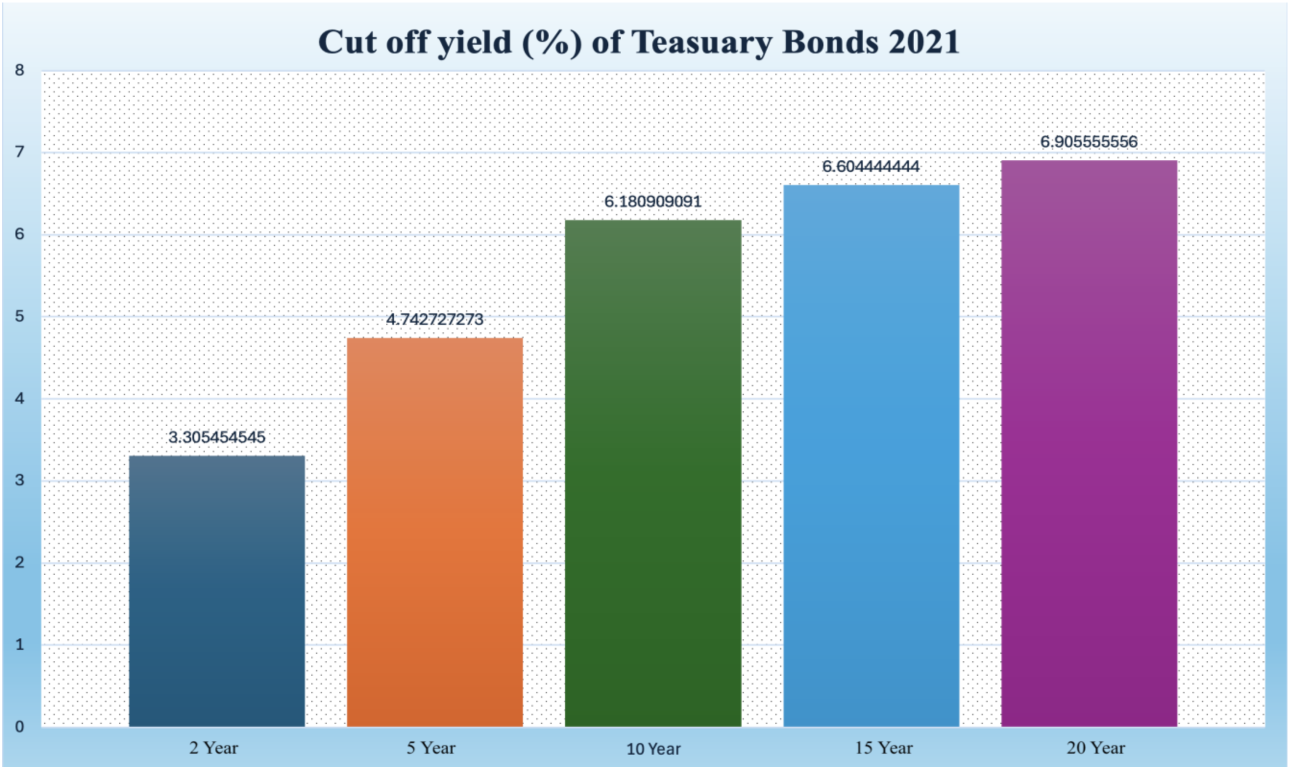

Figure-12 : Cut off yield (%) of Teasuary Bonds 2021

In 2021, the 2-Year Bonds have the lowest yield at 3.31%, reflecting their shorter term and lower risk. As the term lengthens, the yield increases: the 5-Year Bond yields 4.74%, offering higher returns for a longer investment. The 10-Year Bond shows a more significant rise to 6.18%, compensating for the extended investment period and higher uncertainty. The 15-Year Bond yields 6.6%, and the 20-Year Bond offers 6.9%, showing only a small increase in returns compared to the 10-Year Bond, despite the longer commitment. There is a slight increase in yield for the 15-Year bond at 6.6% and 20-Year bond at 6.9%, suggesting that investors demand only marginally higher returns for extending their commitment from 10 to 20 years. This pattern highlights that while longer bonds generally offer higher yields, the increase becomes less pronounced with extended terms.

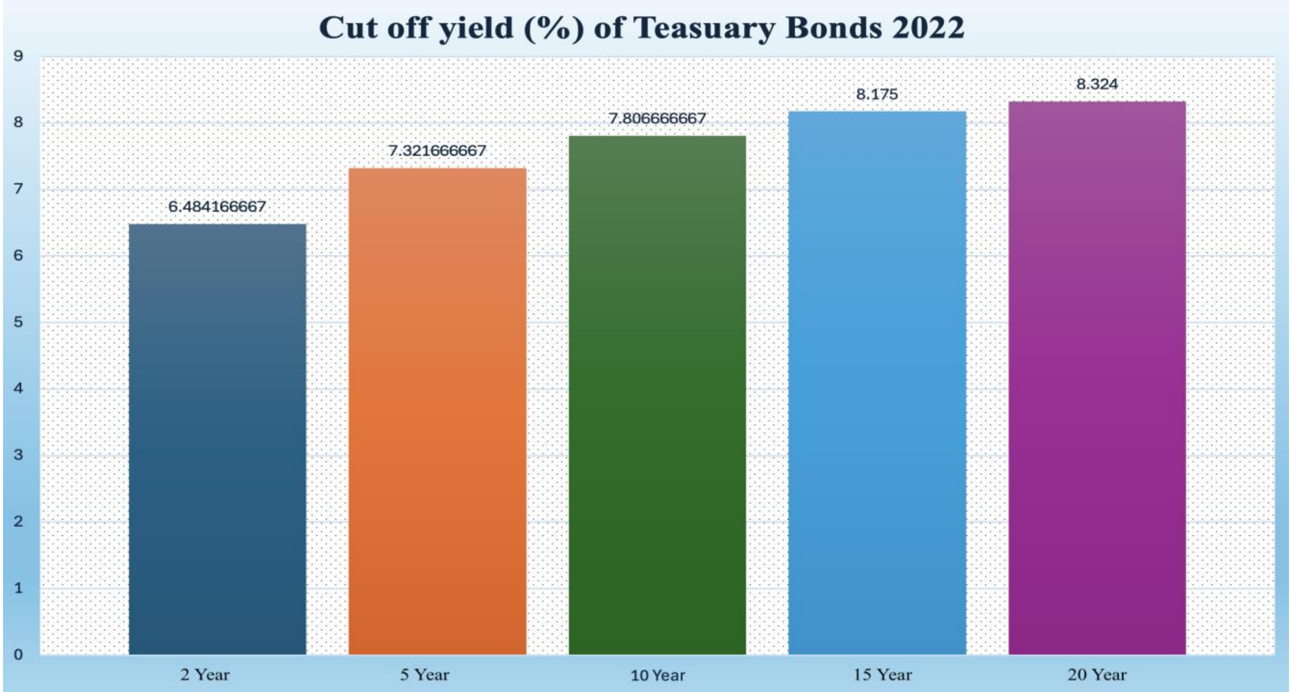

Figure-13 : Cut off yield (%) of Teasuary Bonds 2022

In Figure 13, the chart displays the cutoff yields (%) for Bangladesh Treasury Bonds with maturities ranging from 2 years to 20 years in 2022. The data reveals a clear trend: as the maturity period lengthens, the yield increases, reflecting the higher risks and potential rewards of long-term investments. The 2-year bonds have the lowest yield at 7.155%, indicating lower returns for shorter-term investments. Yields rise to 7.847% for 5-year bonds, 8.584% for 10-year bonds, and 8.816% for 15-year bonds, reflecting increased risk and uncertainty over longer investment horizons. The 20-year bonds, with the highest yield of 9.144%, offer the greatest returns, compensating investors for the extended commitment and associated long-term risks.

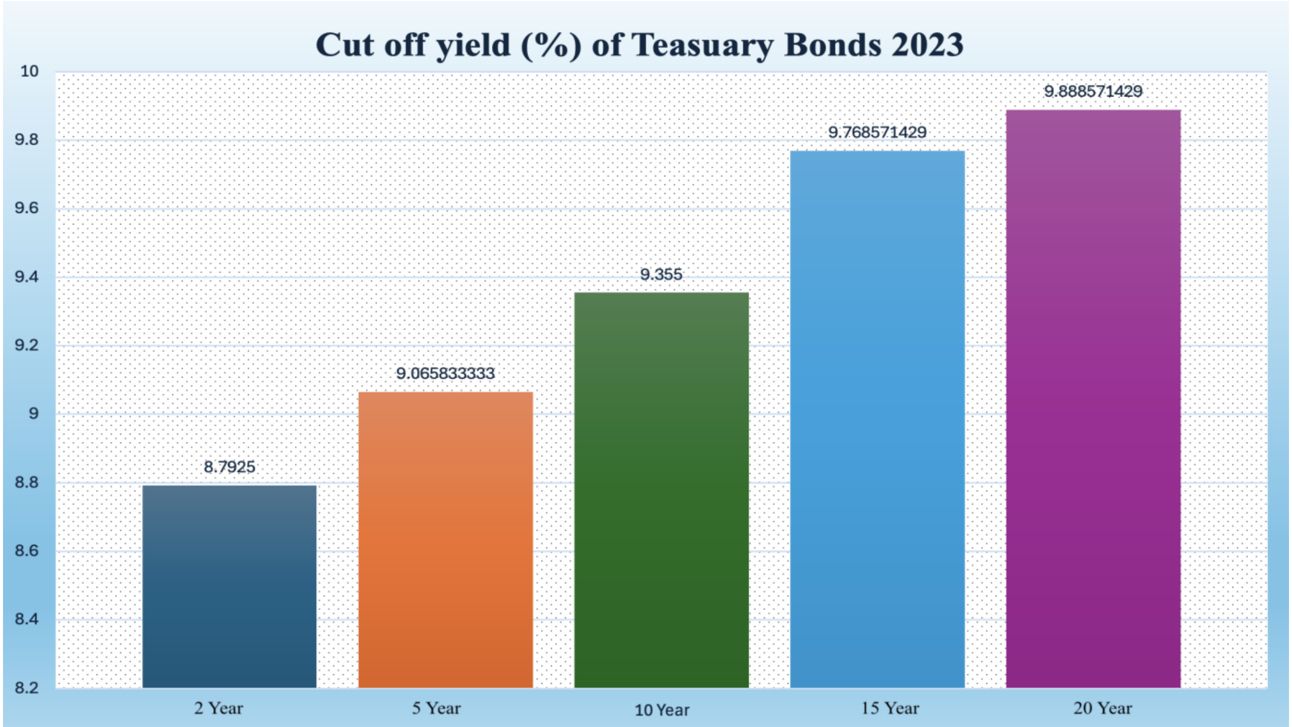

Figure-14 : Cut off yield (%) of Teasuary Bonds 2023

This chart displays the cut off yields for Bangladesh Treasury Bonds in 2023. The yields increase with the bond maturity period. The 2-year bonds offer the lowest yield at 5.51%, indicating lower returns for short-term investments. Yields rise to 6.27% for 5-year bonds, 7.02% for 10-year bonds, and 7.71% for 15-year bonds, reflecting the higher risks and returns associated with longer investment periods. The 20-year bonds provide the highest yield at 8.10%, rewarding investors for committing their funds for an extended period.

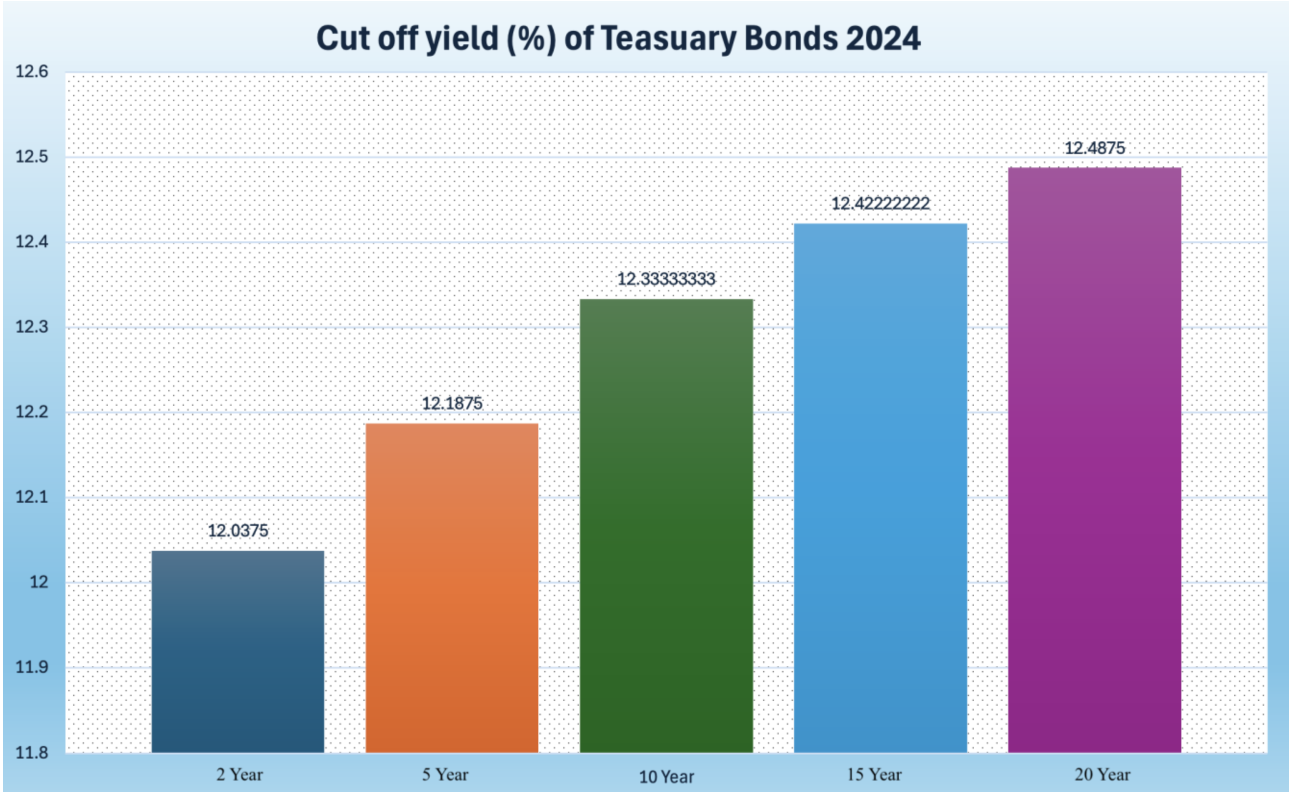

Figure-15 : Cut off yield (%) of Teasuary Bonds 2024

The chart displays the yields for Bangladesh Treasury Bonds in 2024 across different maturities, from 2 years to 20 years. The 2-year bonds have the lowest yield at 12.04%, giving investors a modest return because they’re a short-term investment with less risk. The yield goes up to 12.19% for 5-year bonds, reflecting a bit more risk and a longer investment. For 10-year bonds, the yield rises to 12.33%, as investors commit their money for a decade and take on more uncertainty. The 15-year bonds offer a yield of 12.42%, compensating for the longer period and more unpredictability. Finally, the 20-year bonds have the highest yield at 12.49%, rewarding investors the most for tying up their money for two decades.So,if you invest in a 20-year bond, you're compensated with a higher yield because you're locking your money away for the longest period and taking on more risk.

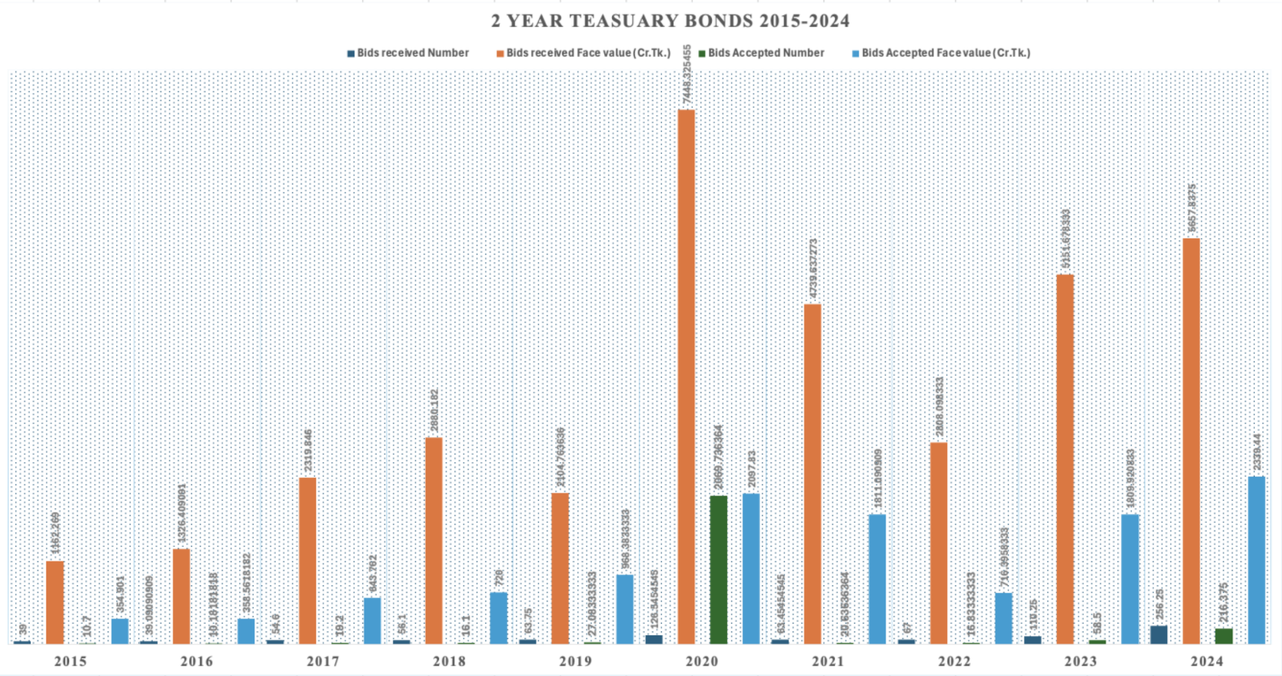

Figure-16 : 2 YEAR TEASUARY BONDS 2015-2024

The chart of Bangladesh 2-Year Treasury Bonds (2015-2024) illustrates a fluctuating trend in both bid submissions and acceptances, reflected in both the number of bids and their face value (in crore Taka). Notably, 2019 saw a massive surge in bids received, reaching 7,148 CR Tk., while the number of bids and face value accepted remained comparatively low, suggesting high demand but selective acceptance. This pattern of high demand but moderate acceptance continues through the following years, especially in 2020 and 2023 when bids received were again in the thousands of crores, but the accepted face value was significantly lower, indicating strict selection criteria. In contrast, earlier years such as 2015-2017 saw lower bids received and accepted, hinting at a relatively quieter market for the bonds. The significant spike in demand from 2018 onwards may reflect changing market conditions, increasing interest in short-term government debt, or macroeconomic factors influencing investor behavior. 2024 continues this high-demand trend, though the number of bids accepted remains limited, showcasing a consistent approach to debt management by the government.

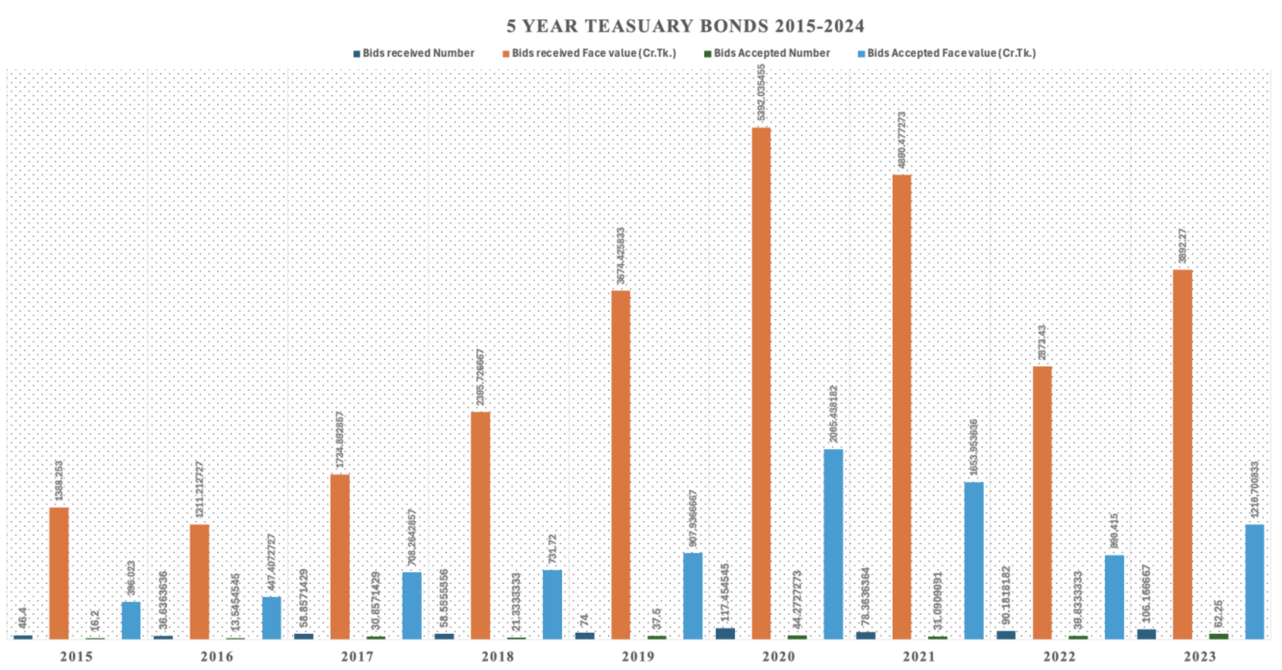

Figure-17 : 5 YEAR TEASUARY BONDS 2015-2024

The chart for Bangladesh 5-Year Treasury Bonds (2015-2024) reveals significant fluctuations in bids received and accepted in both numbers and face value (Cr. Tk.). In 2019 and 2020, the face value of bids received peaked at over 38,000 Cr. Tk., indicating high investor interest in longer-term bonds during these years, but only a fraction of these bids were accepted, reflecting cautious government policy. The trend of high bids received with lower acceptance persists in 2023, where the face value received was 38,242 Cr. Tk., but only a much smaller portion was accepted. Earlier years like 2015-2017 saw moderate bid volumes, while the sharp increase in 2019 and onward may suggest rising demand for stable, mid-term investments during global financial shifts. In 2021, despite receiving bids totaling 15,636 Cr. Tk., only a small number were accepted, highlighting selective bond issuance strategy. By 2024, the data suggests a continuation of this careful management, with moderate interest reflected in the face value and numbers.

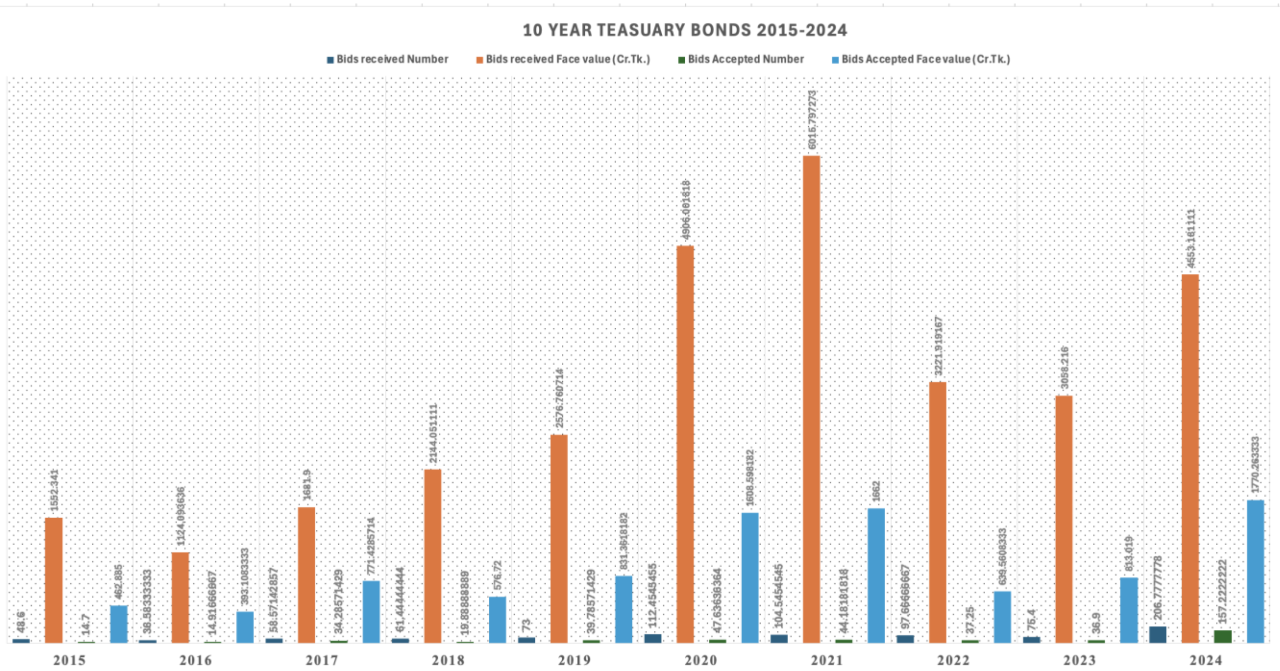

Figure-18 : 10 YEAR TEASUARY BONDS 2015-2024

The chart for Bangladesh's 10-Year Treasury Bonds (2015-2024) highlights dynamic fluctuations in both the number of bids received and accepted, as well as the face value of those bids. Notably, 2020 and 2021 saw substantial investor interest, with 2020 receiving a massive face value of 34,060 Cr. Tk., but only a small fraction was accepted, signaling cautious fiscal management during a period of heightened demand for longer-term investments. In 2024, interest surged again with bids reaching 45,631 Cr. Tk., yet only a modest portion was accepted. Across the years, the chart reveals that while investor appetite for long-term bonds steadily increased, the government's acceptance of those bids remained conservative, especially in peak years like 2020 and 2024, maintaining a strategy of selective issuance. This data reflects a balance between investor interest and prudent financial policy over the decade.

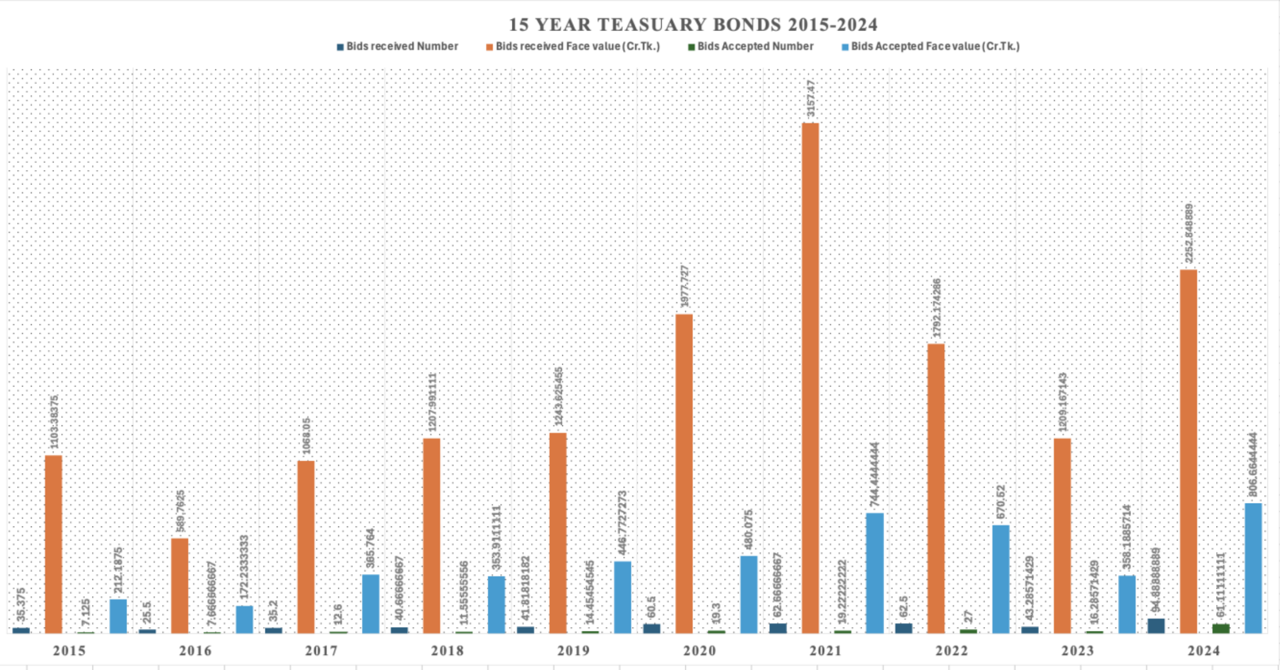

Figure-19 : 15 YEAR TEASUARY BONDS 2015-2024

This chart presents data on 15-year Bangladesh Treasury Bonds from 2015 to 2024, showing the number of bids received and accepted, along with their corresponding face values (in crore taka). The orange bars represent the face value of bids received, while the blue bars indicate the face value of accepted bids. The chart reveals that in some years, such as 2020 and 2021, there was a significant spike in bids received, with 977.727 Cr. Tk. and 1575.271 Cr. Tk., respectively, but a much lower proportion of bids were accepted. In contrast, years like 2015, 2016, and 2023 saw relatively low bid volumes, indicating less investor demand or fewer opportunities for bond issuance. The chart also highlights consistent growth in accepted face value over the years, reflecting the government's evolving borrowing needs and investor appetite for long-term bonds, particularly in 2022 and 2024, when accepted bids saw notable increases.

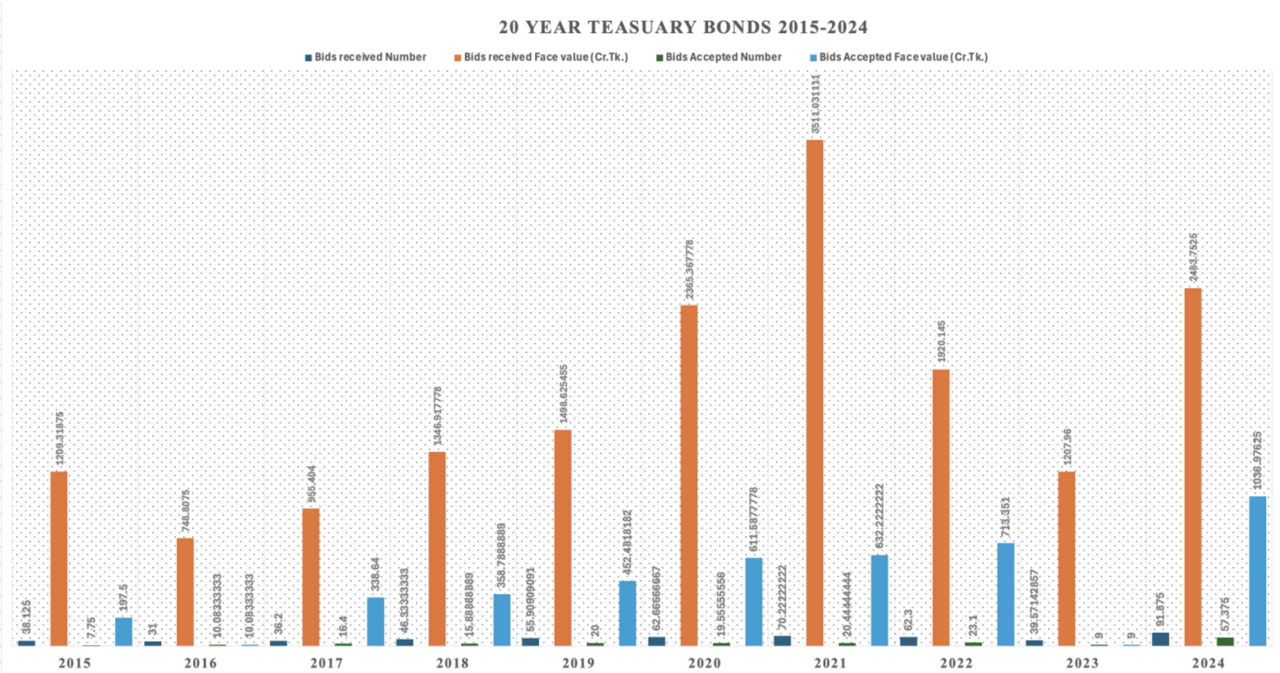

Figure-20 : 20 YEAR TEASUARY BONDS 2015-2024

This chart illustrates the performance of 20-year Bangladesh Treasury Bonds from 2015 to 2024, showcasing the number of bids received and accepted, as well as the face value (in crore taka). The orange bars represent the face value of bids received, while the blue bars indicate the face value of accepted bids. A notable trend can be seen in 2021, where the highest bid face value of 3610.013144 Cr. Tk. was received, reflecting a peak in demand for long-term bonds. However, a significant portion of bids were not accepted, as seen by the lower blue bars. Conversely, in years like 2015 and 2017, the bid volume was much lower, with both the number of bids and accepted values significantly less. The data also reflects volatility, with 2020 showing an elevated volume of bids received (2869.7778 Cr. Tk.), but fewer accepted bids, demonstrating the government's selective borrowing strategy. The consistency of accepted bids in the later years, particularly in 2023 and 2024, highlights a stabilizing trend in government bond issuance.

Observation

This report examines the significant shifts in Bangladesh's treasury bond yields over the past decade, reflecting the evolving economic landscape, inflationary pressures, and government borrowing requirements. Treasury bonds play a critical role in raising government funds and serve as a key indicator of a country’s economic health. The analysis of yield trends from 2015 to 2024 highlights how changes in bond yields mirror broader shifts in Bangladesh’s economy and the global financial environment.

In 2015, Bangladesh's treasury bond yields were relatively high, indicating significant borrowing costs for the government. The 2-year bond yielded 7.15%, while the 20-year bond reached 9.77%. These elevated yields suggested that the government had to offer higher returns to attract investors, possibly due to inflationary concerns or increased borrowing needs. The pattern, where long-term bonds provided higher yields, reflected a period where the government was paying a premium for long-term borrowing.

By 2016, bond yields began to decrease, signaling greater economic stability. The 2-year bond yield dropped to 5.51%, and the 20-year bond to 8.10%. This decline implied that the government could borrow at lower costs, likely due to improved macroeconomic conditions and reduced inflationary pressures. The decrease in long-term bond yields indicated that investors had more confidence in the country’s financial stability over the long run.

This trend of declining yields continued into 2017. The 2-year bond yield fell further to 4.93%, and longer-term bond yields remained stable. The relatively low yields pointed to a favorable economic environment with controlled inflation and steady demand for government bonds. The consistency in bond yields during this period suggested that Bangladesh was experiencing a period of financial stability.

In 2018, treasury bond yields remained largely stable. The 2-year bond yield was 4.57%, while the 20-year bond was at 8.34%. This stability indicated that inflation and government borrowing requirements were well-managed, allowing the government to maintain lower borrowing costs. Investor demand for long-term bonds continued, with the higher yields compensating for the risks associated with long-term investments.

However, in 2019, treasury bond yields surged, reversing the downward trend. The 2-year bond yield jumped to 7.16%, and the 20-year bond yield increased to 9.14%. This spike likely reflected rising inflationary concerns and higher government borrowing needs. The higher yields indicated that investors required greater compensation for the perceived risks in the economy, increasing borrowing costs for the government.

In 2020, the bond yields decreased slightly due to the global economic impact of the COVID-19 pandemic. The 2-year bond yield fell to 6.19%, while the 20-year bond remained relatively high at 8.13%. The slight decline in yields could be attributed to economic stimulus measures implemented to counter the effects of the pandemic. The yield curve indicated investor confidence in the government's ability to manage the crisis, although long-term borrowing remained expensive.

In 2021, Bangladesh experienced historically low bond yields. The 2-year bond yield dropped to 3.31%, while the 20-year bond yield was only 6.90%. This reduction was likely driven by aggressive monetary easing policies in response to the global economic downturn. The low yields reflected investors' willingness to accept lower returns as the government aimed to stabilize the economy during the post-pandemic recovery.

By 2022, bond yields started rising again. The 2-year bond yielded 7.16%, and the 20-year bond returned 9.14%. This increase in yields suggested that inflationary pressures were re-emerging, and the government had to offer higher returns to attract investors. Rising yields indicated that the economic environment was becoming more challenging, with increased government borrowing and inflation concerns.

In 2023, the upward trend in yields continued, with the 2-year bond reaching 8.10% and the 20-year bond yielding 9.77%. This reflected a tightening economic environment, possibly driven by inflation and rising global interest rates. As borrowing costs increased, the government faced challenges in managing both domestic economic conditions and the global financial environment.

By 2024, Bangladesh's treasury bond yields reached their highest levels in a decade. The 2-year bond surged to 12.04%, while the 20-year bond peaked at 12.49%. This sharp rise suggested significant economic pressures, likely driven by high inflation and increased government borrowing. Investors demanded much higher returns to compensate for perceived risks, making borrowing more expensive for the government. This increase in yields highlighted a substantial shift in the country's financial landscape, with inflation and borrowing costs becoming critical concerns.

Recommendations

Monetary Policy Adjustments : To maintain stability in bond yields, Bangladesh Bank should continue effective adjustments in interest rates based on inflation forecasts and global trends. This will help control inflation and support a balanced yield curve.

Government Borrowing Strategies : The government should optimize its borrowing by issuing bonds strategically across various tenors. By spreading bond issuance across different maturities can minimize debt costs, and balancing short-long-term bonds can reduce risks.

Encouraging Domestic Investment : Bangladesh Bank and the government should encourage local investors to participate more in Treasury bonds by offering incentives to institutions such as pension funds. Increased local participation will reduce dependence on foreign investors.

Improving Investor Confidence : Political stability and economic discipline are essential for boosting investor confidence. Strong investor trust allows for more favorable yields, reducing the government's borrowing costs.

Promoting Transparency and Data Accessibility : Bangladesh Bank should continue to offer clear, up-to-date information on bond yields, market conditions, and economic policies. This transparency can aid investor decision-making and can attract broader participation in the bond market.

Introducing New Financial Instruments : Lunching inflation-indexed bonds and other innovative instruments would appeal to diverse investor preferences, offering additional protection against inflation while stabilizing demand for government bonds.

Long-Term Economic Policy Planning : Aligning long-term bond issuance strategies with sustainable development and economic growth plans can help foster investor confidence, ensuring more consistent demand and lower yields over time.

Diversify Bond Tenors : Investors should consider diversify their portfolios by investing across multiple bond tenors. While longer tenors offer higher yields, shorter tenors reduce volatility. A balanced portfolio helps mitigate risk while optimizing returns.

These recommendations aim to improve the management of Bangladesh's Treasury bond market while supporting sustainable growth and financial stability.

Conclusion

A study of the Bangladesh Treasury bond yields that was carried out over the last one decade shows that the profitable growth rate, affectation rate and the government adopting requirements form a nonstop circle. The yields, beginning from the period of 2015 to the time 2024 has seen a lot of oscillations which are as a result of profitable changes at different regions within the country as well as the global frugality. Increase in yields was a sign of affectation and high interest rates on borrowings for the government while drop in yields was a sign of profitable stability and increase in investors' confidence. The actuality of fiscal stability with moderate affectation rate and moderate demand on government securities. But the hike in yields from 2019 onwards especially in 2022 and 2023 laid emphasis on the inflationary pressures and high borrowing conditions of the government. This trend reached its peak in the time 2024 when the Treasury bond yields in Bangladesh were on the loftiest position in nearly a decade that points to some serious profitable issues. Treasury bond yields show how they're a useful tool in revealing state of business and borrowing requirements of a country through the changes in investor demand, affectation and other financial factors. Thus, given the process of Bangladesh still in a transitional phase in terms of profitable development controlling affectation, controlling aspects and promoting investor confidence would be crucial issues to address in the future for achieving sustainable development and further stability in the unborn times. Analysis of yield pressures present in Bangladeshi bond requests over the course of the once decade is instructional in the trouble to understand the profitable surrounds of the country and to draw conclusions about the implicasions of fiscal and monetarypolicy option.

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--------------THE END------------