

Currency Outlook

USDBDT Exchange Rate

USD surplus banks are selling excess greenback to Bangladesh Bank as inflows are still more than sufficient to support outflows. BB has already bought USD 432 mio in Jan 2020 (till date, BAFEDA). Trade deficit narrowed by 21% in the first six months of the current fiscal year to USD 6.46 bln, compared to a year earlier, riding on a decline in imports which is a cause of concern for a growing economy like Bangladesh. The import growth fell 6.80% year-on-year in the July-December period of the current fiscal year when the export growth was -0.44%. Following a strong growth in export and remittances, the foreign exchange reserves are expected to continue its uptrend. Reserves stand at USD 42.832 bio as on 27 Jan 2021. Such healthy reserve led Bangladesh bank to new and innovative thinking. As part of it, the Bangladesh Bank has taken an initiative to enter into a bilateral swap agreement with the Central Bank of Russia. The currency swap deal will enable both the countries to exchange their local currencies against any third currency except the US dollar between them.

Outlook: The exchange rate is expected to remain stable for now with no upward impetus due to declining import growth in the backdrop of sufficient remittance flows.

Global Currencies

EURUSD 0.25% weekly change ↓

EUR/USD pair was down by 0.25% last week. EUR/USD looks to regain further traction beyond 1.2100 and surpass 1.2200 should expose the 2021 peak at 1.2350. Support and resistance is at 1.2100 and 1.2244.

GBPUSD 0.15% weekly change ↑

Sterling gained 0.15% last week. The GBP/USD pair is easing within range, neutral in the near-term. Technical indicators eased and entered negative territory, Support and resistance is at 1.3605 and 1.3750 respectively.

AUDUSD 1.04% weekly change ↓

AUD/USD was down by 1.04% during the week. AUD is likely trade with a downward bias towards 0.7560 and a break of 0.7730 would indicate the downside risk has dissipated. Support and resistance is at 0.7560 and 0.7730.

USDJPY 0.88% weekly change ↑

USD/JPY was up by 0.88% during the week, The pair will likely continue to trade on sentiment, with further gains exposing 105.67, November monthly high. Support and resistance is at 104.40 and 105.65 respectively.

USDCNY 0.86% weekly change ↓

The pair lost 0.86% during the last week and closed at 6.4250. CNY gained momentum against USD and a break below 6.4000 will expose 6.3000. Support and resistance is at 6.2650 and 6.6600 respectively.

Money Market and Interest Rate

Money Market

Money market maintained similar level of liquidity in previous week. Both call money and repo market transaction decreased by 11% and 9% respectively. However, call money rate increased slightly by 0.06%. BDT 2.12 bio has been injected in the market from central bank by buying USD from Market.

Auction for 20Y T-bond for 4 bio was held last week. Considering standard tenor base, yield decreased by 8 bps.

Outlook: Money market is expected to remain liquid till 3rd quarter of this fiscal year.

Interest Rate

Despite demand for loans being suppressed by the ongoing business slowdown, private sector credit growth crept up slightly at 8.37% from 8.21% in December 2020 compare to previous month. This should not be termed as economic revival as the actual reason behind such growth was adding accrued interest to principal amount of loans in the final month of every quarter. Subsequently, surplus liquidity has been on the rise in recent months. Implementation of stimulus packages and foreign currency reserve build up have fueled liquidity surplus even further. The implementation of the stimulus package led to injection of high-powered money into the economy in the form of BB's liquidity support (potentially up to BDT 600.00 bio). External current account of the balance of payments (BOP) recorded large surpluses and foreign exchange reserves of BB increased by more than USD 11 billion to more than USD 43 billion by end-December. The inflows forced BB to intervene in the foreign exchange market to keep the exchange rate of the dollar against taka stable by preventing a significant appreciation of the taka in the interbank foreign exchange market. The amount of high-powered money injected into the banking system through the reserve buildup has been in the range of BDT 800.00 bio to BDT 900.00 Bio. The combined liquidity injection into the banking system from these two sources alone already amounted to about BDT 1.4 trillion to BDT 1.5 Trillion.

Outlook: Excessive liquidity pressure will force interest rate to remain downward as government is expected to continue its expansionary monetary policy for last half current fiscal year.

Capital Market

Through a new directive BSEC is offering an exit plan to help small investors in the case of companies not performing well. Under the directive, either the regulator or company itself will be able to delist the company in question by paying back its investors. Those who want to keep a stake in the company will have to buy out the other investors so that when it is delisted, any new investors will not be impacted while the existing ones would get their money back

Market Synopsis

Treasury Bill & Bond Yields

Latest Issue Date	Tenor	Latest Yield	Previous Yield
25-Jan-21	91 Days	0.45%	0.48%
18-Jan-21	182 Days	0.75%	0.97%
25-Jan-21	364 Days	1.25%	1.50%
06-Jan-21	2 Years	3.14%	3.71%
13-Jan-21	5 Years	4.24%	4.64%
20-Jan-21	10 Years	5.87%	5.81%
27-Jan-21	15 Years	6.69%	6.82%
27-Jan-21	20 Years	6.98%	7.06%

USD LIBOR

1M	2M	3M	6M	1Y
0.1195	0.1606	0.2019	0.2233	0.3111

Capital Market

Index	Value	Weekly Change
DSEX	5,649.86	-2.85%
FTSE 100	6,407.46	-4.30%
Nikkei 225	27,663.39	-3.38%
Dow Jones IA	29,982.62	-3.27%
S&P 500	3,714.24	-3.31%

Commodities

Commodity (unit)	Latest Price	Weekly Change
Brent Crude Oil (BBL)	55.88	0.85%
Gold (OZS)	1,846.90	-0.39%
ICE-US Cotton (LBS)	80.64	-1.13%
Soybean (BSH)	1,370.00	4.44%
Wheat (BSH)	663.00	4.49%
Sugar (LBS)	15.83	-0.25%
Palm Oil (Tonne)	972.75	9.73%
Steel (Tonne)	1,149.00	8.60%

Released Economic Data (South Asia & China)

Indicator	India	Pakistan	China	Bangladesh
CPI (YoY)	4.59%	8.00%	0.20%	5.29%
GDP Annual Growth Rate	-7.50%	1.91%	6.50%	5.24%
Policy Repo Rate	4.00%	7.00%	3.85%	4.75%
Government Bond 10Y	5.939%	10.04%	3.147%	5.87%

Released Economic Data (G8 Countries)

Indicator	USA	UK	Eurozone	Japan
CPI (YoY)	1.40%	0.60%	-0.30%	-1.20%
GDP Growth Rate	4.00%	16%	12.50%	5.30%
Unemployment Rate	6.70%	5.00%	8.30%	2.90%
Base Rate	0.25%	0.10%	0.00%	-0.10%
Government Bond 10Y	1.0855%	0.303%	-0.16%	0.039%

*10-Year Eurozone Central Government Bond Par Yield Curve

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