

Currency Outlook

USDBDT Exchange Rate

Central Bank is continuing sale of USD funds in the interbank market. Due to the surge in import payments, demand for dollars in the local market soared, which prompted the country's banks to buy greenback from the central bank to settle import payments. Although export earnings increased significantly, wage earners remittance, dropped by 20.9 per cent year-on-year in July-December of the current fiscal year 2021-2022.

If the current pace of growth in imports continues, it is expected that the country's import costs for FY22 would be \$30 billion higher than the import payments for FY21. In July-December of FY22, the country's import spending increased to \$38.39 billion against \$25.11 billion in the corresponding period of FY21. This is putting stress on FX reserve levels. The country's foreign exchange reserve came under stress and dropped to around \$45.5 billion in January 10 after hitting \$48 billion in August 2021. To reign in imports and curb demand for USD it is expected that the central bank may take steps to allow BDT to depreciate further.

Import of capital machinery has also increased. The country's businesses imported capital machinery worth above \$1 billion in December amid a major spike in export earnings in the recent months of the current fiscal year 2021-2022. Along with the major spike in capital machinery import, the country's import spending for industrial inputs also posted a major hike in the current fiscal year.

Outlook: BDT is expected to continue depreciating at a gradual pace considering initiatives taken to improve remittance and export flows in the backdrop of continually rising import payments.

Global Currencies

EURUSD -0.87% weekly change ↓

Geopolitical developments sent the EUR/USD plunging towards 1.1332 on USD safe-haven bids. The EUR/USD is down 0.48% in the week. ECB pushed back against raising rates, while Fed eyes 1% increases by July 1st.

GBPUSD 0.22% weekly change ↑

The pair stays in the positive territory above 1.3550 end of the week as the dollar consolidates daily gains. In order to push higher toward 1.3600 and 1.3620, the pair needs to rise above 1.3560 and start using that level as support.

AUDUSD 0.85% weekly change ↑

AUD/USD witnessed heavy selling end of the week and moved further away from a three-week high. Rising bets for a 50 bps Fed rate hike continued underpinning the USD and exerted pressure. The risk-off mood also contributed to driving flows away from the perceived riskier aussie.

USDJPY 0.18% weekly change ↑

USD/JPY nose-dives as the Ukraine & Russia conflict escalates. But The pair maintains the bullish bias in place. First resistance would be 116.0. Breach of the latter would expose the YTD high at 116.35, followed by a challenge of a 24-month-old downslope trendline around 117.00.

USDCNY -0.11% weekly change ↓

USD/CNY may drift back down; PBOC might ease again next week. PBOC sets daily mid close to forecast at 6.3681. China's new bank loans hit a record amid easing. Still more loosening expected; MLF may be cut next week. That should boost risk appetite for Chinese assets, yuan.

Money Market and Interest Rate

Money Market

Item	Avg. Vol. (Cr.)	% Δ (Vol.)	WAR	% Δ (WAR)
Call	7,333	4.75%	2.35%	-0.07%
Repo	2,531	10.93%	1.73%	0.01%
Term	46	-37.28%	4.64%	-0.43%

Excess reserve (Excess CRR: un-invested cash) in banking system came down to BDT 321 bio by end of Dec 2021 from BDT 441 bio as of end of Nov 2021. But total liquid asset including excess investment in government treasury securities remained almost similar at BDT 2.17 trio at end of Dec 2021 compared to BDT2.19 trio as of Nov 2021. Auction: 5Y T-bond auction held last week and standard tenor yield has decreased by 69 bps to 5.81%. Auction for 91D & 182D T-bill held on 13 Feb 2022 and yield decreased by 06 bps to 2.15% and 48 bps 2.68% respectively.

Outlook: Money Market is likely to be remain moderately liquid in the current month as the net fund flow is zero from Treasury auction.

Interest Rate

The government is to trim the development budget down by 8.0 per cent to BDT 2.07 trillion as project execution loses steam, as of H1FY22. The size of the ADP for the current fiscal is BDT2.25 trillion. Government may need to borrow more from inter-bank market in coming months even with the reduced ADP size, considering lackluster sale of savings instrument. The enduring growth in Tax revenue, 16.89% in H1 FY22 compared to 3.95% in H1 FY21 will help to contain government's bank borrowing to finance budget deficit.

A report from BBS showed that although the GDP growth in last FY 20-21 rebounded with doubling the rate, the investment-GDP ratio still stayed on the lower trajectory. The GDP grew at a 6.94% in the last FY2021, recovering from a massive fall to 3.45 per cent, shattered due to the Covid-19 impact, in the FY2020. But the investment-GDP ratio in FY2021 was 31.02%, 0.29 % lower than FY2020 and 1.19% down than in FY2019. The investment-GDP ratio on government part for developing infrastructure and social services was 6.96% in FY2019 which rose to 7.29% in FY2020 and to 7.32% in FY2021. On the other hand, private investment-GDP ratio was 25.25% in FY2019 which fell headlong to 02.24% in the following corona-troubled FY2020 and 23.70% in FY2021, BBS data show. Analysts' view is, lack of quality public investment is deterring improvement of investment climate in the country. Hence, incremental public investment is failing to uplift the overall investment-GDP ratio in Bangladesh.

Outlook: Interest rate is expected to maintain an upward trajectory owing to USDBDT exchange rate volatility, increased credit demand infused from higher import volume and inflationary pressure in both domestic and international market.

Capital Market

- BSEC has approved the plan of Premier Cement Mills to raise BDT3.1bn through issuing preference shares. Funds will be used to reduce financial costs, boost profits, and help improve financial indicators – to restructure its balance sheet
- Stocks ended flat for the second consecutive day as investors kept maintaining their wait-and-see approach amid higher infections of Covid-19. DSEX edged up 3 points to 7,089 at the end of the day

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%
14-Feb-22	91 Days	2.15%	2.21%
14-Feb-22	182 Days	2.68%	3.16%
07-Feb-22	364 Days	3.39%	3.45%
02-Feb-22	2 Years	4.58%	4.81%
09-Feb-22	5 Years	5.81%	6.50%
19-Jan-22	10 Years	7.10%	7.42%
26-Jan-22	15 Years	7.36%	7.80%
26-Jan-22	20 Years	7.67%	7.89%

Capital Market

Index	Value	Weekly %	USD LIBOR Tenor	LIBOR
DSEX	7,089.53	0.36%	1M	0.19114
FTSE 100	7,661.02	1.92%	2M	N/A
Nikkei 225	27,696.08	0.93%	3M	0.50643
Dow Jones IA	34,738.06	-1.00%	6M	0.84043
S&P 500	4,418.64	-1.62%	1Y	1.39229

Commodities

Commodity (unit)	Latest Price	Weekly Change	USD SOFR Tenor	SOFR
Brent Crude Oil (BBL)	94.44	1.25%	Overnight	0.05000
Gold (OZS)	1,859.96	2.90%	1M	0.09919
ICE-US Cotton (LBS)	125.28	-1.15%	3M	0.37486
Soybean (BSH)	1,583.00	1.90%	6M	0.65962
Wheat (BSH)	797.75	4.52%	1Y	1.04738
Sugar (LBS)	18.26	0.16%	Source	Reuters CME Term SOFR
Palm Oil (Tonne)	1,384.50	0.11%		
Steel (Tonne)	1,131.00	-4.96%		

Released Economic Data (South Asia & China)

Indicator	India	Pakistan	China	Bangladesh
CPI (YoY)	5.59%	13.00%	1.50%	6.05%
GDP Annual Growth Rate	8.40%	3.94%	4.00%	5.47%
Policy Repo Rate	4.00%	8.75%	3.70%	4.75%
Government Bond 10Y	6.70%	11.06%	2.81%	7.10%

Released Economic Data (G8 Countries)

Indicator	USA	UK	Eurozone	Japan
CPI (YoY)	7.50%	5.40%	5.10%	0.80%
GDP Growth Rate	6.90%	1.00%	0.30%	-0.90%
Unemployment Rate	4.00%	4.10%	7.00%	2.70%
Base Rate	0.25%	0.50%	0.00%	-0.10%
Government Bond 10Y	1.92%	1.55%	0.79%	0.23%

*10-Year Eurozone Central Government Bond Par Yield Curve

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