

Currency Outlook

USDBDT Exchange Rate

The country's forex earnings are running at a steady pace with both exports and remittance inflows maintaining positive growth in January this year. Last month, export earnings witnessed a 41% year-on-year growth, while remittances increased by 4.52%. In the last seven months of the current fiscal year, the exports, mainly due to shifting of many work orders from China, brought in more than USD 29 billion. Apparel shipments grew by 29% year-on-year in July-January (BGMEA). Although exports have increased, high prices of raw materials have been eating into profits.

Remittance inflow to the country has increased by around \$74 million or 4.52% month-on-month in January this year even though the overall receipts fell by around 13% year-on-year. After declining for about six months, it began to rise again in December 2021 and that trend continued in January this year. Expatriates sent home \$1.7 billion January 2022, which was \$1.63 billion in December last year. More remittances are coming from the Middle Eastern countries as their economies recovered due to an increase in fuel prices in the world market.

While Russia Ukraine tensions escalate, the impact can already be felt in oil and gas prices. The BPC is now counting loss worth around Tk 150 million per day, in terms of ruling market rate of Brent crude. Petrobangla's LNG-purchase price from long-term suppliers soared to around USD 14 per-million British thermal unit (MMBTU) from the previous USD 11. Other commodity prices are expected to be significantly impacted as well.

Outlook: BDT is expected to continue depreciating in backdrop of continually rising import payments and keeping in mind competitiveness of exports.

Global Currencies

EURUSD -0.44% weekly change ↓

EUR/USD is trading around 1.1240, as demand for the greenback receded and stocks bounced. Market players maintain their eyes on Russia-Ukraine developments, and tensions continue in the region. The first resistance is located at 1.1300 before 1.1340.

GBPUSD -1.32% weekly change ↓

GBP/USD is paring back gains while falling below 1.3400, as risk-off flows return on reports of Russia looking to attack Kyiv yet again. The safe-haven US dollar is finding fresh demand ahead of the key US data and NATO meeting. Static support seems to have formed at 1.3360.

AUDUSD 0.84% weekly change ↑

AUD/USD clings to gains near 0.7200 mark, limited upside potential amid geopolitical risks. The pair maintained its strong bid tone heading into the end of the week. Support levels are at 0.7140 and 0.7100, and Resistance levels are at 0.7250 and 0.7290.

USDJPY 0.49% weekly change ↑

USD/JPY steady around 115.50 as financial markets head into the weekend. The USD/JPY gains 0.45% in the week amid an improved market mood. Upward biased, a daily close above 115.49, would open the door for a renewed challenge of YTD high at 116.35.

USDCNY -0.13% weekly change ↓

USD/CNY flops to 6.3143 after early try at extending mid week bounce, may test Beijing's tolerance for yuan gains. Haven yuan may soon probe 6.3000 psychological barrier. Chinese firms expect limited impact from Ukraine sanctions. Some might even benefit from the conflict.

Disclaimer

This report is prepared by Treasury & FI Division, BRAC Bank Ltd. and to be used for information purposes only. It is not, under any circumstances, to be used or considered as an offer to sell, or a solicitation of any offer to buy. Reasonable care has been taken to ensure that the information is not untrue and misleading. BRAC Bank Ltd makes no representation or warranty as to the accuracy or completeness of such information. All opinions and estimates included in this report constitute our judgment as of this date and are subject to change without notice.

Money Market and Interest Rate

Money Market

Item	Avg. Vol. (Cr.)	% Δ (Vol.)	WAR	% Δ (WAR)
Call	7,657	-22.46%	3.77%	1.43%
Repo	2,431	-12.07%	3.91%	1.99%
Term	35	-23.14%	5.04%	0.40%

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 trillion at end of Dec 2021 compared to BDT2.19 trillion as of Nov 2021. Market liquidity came down sharply last week due to outflow of Tax-VAT chalan. Consequently, several banks availed ALS and special repo facilities. **Auction:** 15Y & 20Y T-bond auction held last week and standard tenor yield remained same for 15Y & decreased by 09 bps for 20Y T-bond. Auction for 91D & 182D T-bill held on 27 Feb 22 and yield remained unchanged at 2.15% and 2.68% respectively as BB is taking reduced volume to keep the rate unchanged.

Interest Rate

ADP implementation inched up to 30.21% during first seven months of the current FY22, while it was 28.45% in same time FY21. But the implementation is still below pre-pandemic levels; 32.07% in FY 2020, 34.43% in FY 2019. In the first half of the ongoing fiscal year, budget surplus was BDT13.6bn due to lower spending. Accordingly ADP revised downward 8% to BDT 2.07 trillion. While the use of government funds in the budget has been kept unchanged at BDT1,370bn. Reliance on foreign funds has been slashed to BDT177.7bn (from BDT880.2bn).

Bangladesh received more than 90% higher aid commitments year-on-year in the July-January period of FY22, while the amount of assistance released by the development partners in the period was more than 39% higher compared to the same period a year ago, according to the ERD latest data. The development partners pledged \$4.69 billion in grants and loans in the July-January period of FY22, which was \$2.46 billion in the same period FY21. During this period, development partners released \$4.69 billion worth of assistance, higher than \$3.35 billion in the corresponding period last year.

Importers in Bangladesh have already increased the prices of numerous essentials as the Russia-Ukraine conflict spills over to the worldwide consumer goods market, with prices of almost every commodity having spiked in just three days and countries scrambling for alternatives.

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 asked DSE to arrange training and awareness programmes for senior officials of all brokerage houses to avoid unscrupulous incidents, including investors' fund embezzlement occurred in recent times
- On 28 Feb, DSEX lost 163.29 points-billed the highest single-day fall since April 4, 2021. DSEX also had lost 109.23 points in the previous trading session executed Thursday. As a result, the broad index sank 3.92 per cent or 272.52 points in the last couple of sessions.

For further information please contact:

Treasury & Financial Institutions, BRAC Bank Limited

Phone: +88028801255-60

E-mail: dealing.room@bracbank.com

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%
28-Feb-22	91 Days	2.15%	2.15%
28-Feb-22	182 Days	2.68%	2.68%
22-Feb-22	364 Days	3.39%	3.39%
02-Feb-22	2 Years	4.58%	4.81%
09-Feb-22	5 Years	5.81%	6.50%
16-Feb-22	10 Years	6.48%	7.10%
23-Feb-22	15 Years	7.36%	7.36%
23-Feb-22	20 Years	7.58%	7.67%

Capital Market

Index	Value	Weekly %	USD LIBOR	
			Tenor	LIBOR
DSEX	6,676.14	-4.48%	1M	0.23057
FTSE 100	7,489.46	-0.32%	2M	N/A
Nikkei 225	26,476.50	-2.38%	3M	0.52300
Dow Jones IA	34,058.75	-0.66%	6M	0.82871
S&P 500	4,384.65	0.63%	1Y	1.33071

Commodities

Commodity (unit)	Latest Price	Weekly Change	USD SOFR	
			Tenor	SOFR
Brent Crude Oil (BBL)	97.93	4.69%	Overnight	0.05000
Gold (OZS)	1,887.56	-0.54%	1M	0.19497
ICE-US Cotton (LBS)	122.12	-0.71%	3M	0.37661
Soybean (BSH)	1,590.25	-0.70%	6M	0.63430
Wheat (BSH)	843.00	5.77%	1Y	1.01537
Sugar (LBS)	17.99	-1.15%	Source	Reuters CME Term SOFR
Palm Oil (Tonne)	1,599.50	11.44%		
Steel (Tonne)	1,010.00	-9.58%		

Released Economic Data (South Asia & China)

Indicator	India	Pakistan	China	Bangladesh
CPI (YoY)	6.01%	13.00%	0.90%	5.86%
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	6.75%	11.19%	2.80%	6.48%

Released Economic Data (G8 Countries)

Indicator	USA	UK	Eurozone	Japan
CPI (YoY)	7.50%	5.50%	5.10%	0.50%
GDP Growth Rate	7.00%	1.00%	0.30%	1.30%
Unemployment Rate	4.00%	4.10%	7.00%	2.70%
Base Rate	0.25%	0.50%	0.00%	-0.10%
Government Bond 10Y	1.97%	1.49%	0.87%	0.21%

*10-Year Eurozone Central Government Bond Par Yield Curve