

Currency Outlook

USDBDT Exchange Rate

To prevent the sharp upward movement of USD/BDT rate and to help banks to meet FCY payments, central bank has been selling USD funds continuously. BB data shows that a record \$3.78 billion has been injected between July 1 and March 23 this fiscal year to stop the freefall of the taka. However, this alone cannot curb sharp depreciation in the backdrop of steep increase in import payments and a sharp decline in remittance. Between July and January, imports stood at \$46.67 billion, up 46 % year-on-year, while exports increased 29% to \$27.97 billion, central bank data showed. Remittance declined 19.4% to \$16.68 billion during the same time. Experts are of the opinion that such measures are insufficient to ensure macroeconomic stability. BDT will have to be depreciated significantly against the dollar (up to 3.00 taka) to bring down import growth to 30% from current levels of 46%. Higher imports against moderate exports brought down Bangladesh's foreign exchange reserves to \$44.29 billion on March 23, which can cover 5.5 months of import payment. This is significantly lower from the \$48 billion recorded in August last year.

The exchange rate of the local currency has depreciated further against the US currency at the customers' level for settling the import payments. On 22 Mar 2022 and onwards, the exchange rate of the dollar was quoted a maximum of BDT 86.25 each against BDT 86.05 of the previous level.

Outlook: BDT is expected to continue depreciating against USD in the coming days

Global Currencies

EURUSD -0.63% weekly change ↓

EUR/USD reverses the recent weakness and manages to advance to the 1.1040 area. Further range bound looks likely amidst the ongoing alternating risk appetite trends, with the lower bound emerging around 1.0960 and gains limited by the 1.1140 area.

GBPUSD 0.08% weekly change ↑

The GBP/USD failure to reclaim the 1.3200 mark left the pair vulnerable to further selling pressure, signaling that the GBP/USD might add to losses in the coming days, as month-end flows towards the greenback might extend the fall. The GBP/USD first support would be at 1.3160. Breach of the latter would expose the 1.3105, followed by the 1.3000 mark.

AUDUSD 1.21% weekly change ↑

The AUD/USD pair seesawed between tepid gains/minor losses through the week and for now, seems to have stabilized above the 0.7500 psychological mark. Any meaningful pullback now seems to find decent support and attract fresh buying near the 0.7400 mark.

USDJPY 2.43% weekly change ↑

USD/JPY witnessed an intraday pullback from the multi-year peak touched on Friday. Extremely overbought conditions prompted some profit-taking amid modest USD weakness. The Fed-BoJ monetary policy divergence supports prospects for the emergence of dip-buying.

USDCNY 0.08% weekly change ↑

USD/CNY glides lower to 6.3602, dips below 100 DMA 6.3617. Yuan index still high, strong action needed to counteract. Broad USD weakness underway, triggered by sharp USD/JPY pullback. China removes some items from negative investment list, improves market access in some sectors for foreign investors.

Money Market and Interest Rate

Money Market

Item	Avg. Vol. (Cr.)	% Δ (Vol.)	WAR	% Δ (WAR)
Call	8,116	-0.14%	2.25%	0.10%
Repo	3,278	45.46%	1.86%	-0.10%
Term	40	-36.89%	6.78%	1.35%

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 (excess of min required asset) including excess investment in government treasury securities remained almost similar at BDT 2.17 trillion at end of Dec 2021 compared to BDT 2.19 trillion as of Nov 2021. **Auction:** Auction for 10Y T-Bond took place last week and yield increased by 66 bps to 7.11%. Auction for 91D & 182D T-bill held on 27 Mar 2022 and yield remained unchanged at 2.99% and increased by 60bps to 3.45% respectively. **Outlook:** Money Market is likely to be moderately liquid in the current month as the treasury auction and maturity volume is almost same.

Interest Rate

The development spending stood at 35.80% in the first eight months of FY 22, according to the updated report by the Implementation Monitoring and Evaluation Division (IMED), while the rate was 33.83% in July-February of the last fiscal year. The average spending in the corresponding period prior to the pandemic was 37% to 39%.

The overall excess liquidity with the scheduled banks dropped slightly in January 2022. Surplus liquidity came down to BDT 2115.06 billion in January 2022 from BDT 2167.29 billion a month ago. It was BDT 2314.63 billion in June 2021. Government borrowing from Banking sector was BDT 205 bio in Jul-March FY 22 whereas it was approximately BDT 264 bio during same period FY 21.

The interest rate spread of banks reached 3.19% in Dec'21, which dropped to 3.12% in Jan'22 and 3.08% in Feb'22. A senior BB official said that the demand for liquidity in the country's banking system increased and so the banks' borrowing from the interbank money market rose by 65% in the first two months of 2022. The banks that were in need of cash, had to offer higher interest to their customers, he said.

Overall domestic credit growth reached 12.65% YOY growth in Jan 2022, while private sector credit growth was 11.07% YOY, as businesses are running in full swing by shaking off pandemic fallout to cater to pent-up consumer demand.

Outlook: Interest rate is expected to maintain an upward trajectory owing to USDBDT exchange rate volatility, increased credit demand infused from higher

Capital Market

- The subscription to shares of Star Adhesive Ltd, a concern of Star Partex Group, through qualified investor offer (QIO), will take place through electronic subscription system. The company aims to raise BDT 50 million under the fixed-price method.
- BSEC has removed the mandatory condition of keeping provision by issuers of perpetual bonds. The securities regulator has also extended the listing period of perpetual bonds, issued by 11 banks, to 180 market days from previous 90 market days.

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%
21-Mar-22	91 Days	2.99%	2.25%
14-Mar-22	182 Days	2.85%	2.68%
21-Mar-22	364 Days	4.25%	3.64%
09-Mar-22	2 Years	4.75%	4.58%
16-Mar-22	5 Years	6.25%	5.81%
23-Mar-22	10 Years	7.11%	6.48%
23-Feb-22	15 Years	7.62%	7.36%
23-Feb-22	20 Years	7.75%	7.58%

Capital Market

Index	Value	Weekly %	USD LIBOR Tenor	LIBOR
DSEX	6,741.55	0.65%	1M	0.44514
FTSE 100	7,483.35	1.06%	2M	N/A
Nikkei 225	28,149.84	4.93%	3M	0.98286
Dow Jones IA	34,861.24	0.31%	6M	1.45114
S&P 500	4,543.06	1.79%	1Y	2.08871

Commodities

Commodity (unit)	Latest Price	Weekly Change	USD SOFR Tenor	SOFR
Brent Crude Oil (BBL)	120.65	3.63%	Overnight	0.27000
Gold (OZS)	1,957.40	1.89%	1M	0.30404
ICE-US Cotton (LBS)	135.90	7.13%	3M	0.62403
Soybean (BSH)	1,710.25	2.53%	6M	1.01260
Wheat (BSH)	1,102.25	3.62%	1Y	1.58563
Sugar (LBS)	19.61	3.59%	Source	Reuters CME Term SOFR
Palm Oil (Tonne)	1,571.25	7.86%		
Steel (Tonne)	1,123.00	-0.97%		

Released Economic Data (South Asia & China)

Indicator	India	Pakistan	China	Bangladesh
CPI (YoY)	6.07%	12.20%	0.90%	6.17%
GDP Annual Growth Rate	5.40%	3.94%	4.00%	5.47%
Policy Repo Rate	4.00%	8.75%	3.70%	4.75%
Government Bond 10Y	6.81%	11.88%	2.81%	7.11%

Released Economic Data (G8 Countries)

Indicator	USA	UK	Eurozone	Japan
CPI (YoY)	7.90%	6.20%	5.90%	0.90%
GDP Growth Rate	7.00%	1.00%	0.30%	1.10%
Unemployment Rate	3.80%	3.90%	6.80%	2.80%
Base Rate	0.50%	0.75%	0.00%	-0.10%
Government Bond 10Y	2.49%	1.69%	1.06%	0.25%

*10-Year Eurozone Central Government Bond Par Yield Curve

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