

Currency Outlook

USDBDT Exchange Rate

Bangladesh Bank invited top leaders of the Association of Bankers, Bangladesh (ABB) and Bangladesh Foreign Exchange Dealers' Association (BAFEDA) to take part in discussion on latest forex situation at a joint meeting. At current exchange rate levels it is feared that the inflow of remittances through official channels may fall significantly and higher gap between formal banking-channel exchange rate may encourage illegal remittance activities further. Therefore, in the backdrop of ABB and BAFEDA proposal, Bangladesh Bank has suggested BC selling rate at USDBDT 89.15, highest inter-bank rate at 89.00 and exchange house rate at 89.20 as on 30 May 2022.

Meanwhile banks continue to feel the pressure of import payments; the price increases in the global market due to Russia's invasion of Ukraine and the dragging coronavirus pandemic have pushed up Bangladesh's import payments to a record level. It has created acute pressure on the trade deficit, which went past \$24.90 billion between July and March. Despite ongoing macroeconomic challenges, it is expected that the country's economy in the near long-term is likely to grow much bigger riding on domestic consumption and exports with several positive factors – including the improving connectivity, 100 economic zones, thriving young and female workforce, the booming SME, light engineering sectors alongside several large scale industries – are in the pipeline to fuel the growth.

Outlook: BDT is expected to continue depreciating against USD going forward

Global Currencies

EURUSD 1.61% weekly change

EUR/USD continues to trade above 1.0700. The data from the US showed that the annual Core PCE Price Index declined to 4.9% in April as expected, making it difficult for the dollar to gather strength. The near-term technical outlook shows that the bullish bias remains intact for the time being. On the upside, static resistance seems to have formed at 1.0760. 1.0800 aligns as the next hurdle.

GBPUSD 1.04% weekly change

Cable posted back-to-back weekly gains, up by 0.94%. The Fed's favorite inflation gauge eases from above the 5% threshold, showing signs that elevated prices could be peaking soon. If bulls fail to reclaim 1.2700, expect selling pressure to mount and send the pair towards a YTD low re-test.

AUDUSD 1.85% weekly change

The AUD/USD pair gained strong positive traction on the last day of the week and shot to over a three-week high, around mid-0.7100s. The pair needs to clear the weekly high at 0.7125 to gather upward strength, while bears may take over on a break below 0.7045.

USDJPY -0.58% weekly change

US dollar continues to pullback across the board. Yen loses momentum in the market amid risk appetite. USD/JPY fails to benefit from the rally in Wall Street. In the short-term, the bias in USD/JPY is tilted to the downside. A break under 126.50 should open the doors to more losses, targeting 126.20 and then 125.75.

USDCNY 0.09% weekly change

USD/CNY blips back to flat, last 6.7401 from low 6.7205. SSEC surrenders early gains of up to 0.9%, last +0.1%. Charts suggest yuan consolidation within 6.6950-6.7630. Closing above 6.7630 would start uptrend again. Risk appetite ebbs as S&P futures remain slightly negative.

Money Market and Interest Rate

Money Market

Item	Avg. Vol. (Cr.)	% Δ (Vol.)	WAR	% Δ (WAR)
Call	7,166	-7.60%	4.76%	0.14%
Repo	2,425	-9.39%	4.97%	-0.38%
Term	45	0.00%	7.17%	-0.47%

Excess reserve (Excess CRR: un-invested cash) in banking system came down to BDT 265 bio by end of Mar 2022 from BDT 321 bio as of end of Jan 2022. Total liquid asset (excess of min required asset) including excess investment in government treasury securities came down to BDT 1.99 trillion at end of Mar 2022 compared to BDT 2.17 trillion as of Jan 2022. **Auction:** Auction for 10Y T-Bond took place last week and yield increased by 26 bps to 8.00%. Auction for 91D & 364D T-bill took place today and yield increased by 19 bps to 5.69% and 41 bps to 6.26% respectively. **Outlook:** Money Market is likely to be moderately liquid this month if BB continues to devolve on itself.

Interest Rate

The Bangladesh Bank raises the benchmark repo interest rate by 25 bps to 5.00%, for the first time in nearly two years, signaling more actions to manage soaring consumer prices under impact of both local and global inflation. Private-sector credit flow increased further in April 2022 to 12.48% following rising demand for loans, particularly for trade financing, to settle import-payment obligations. Government has recorded 15% growth in tax collection, total collection BDT 2.28 trillion, in first nine months of current fiscal year. The growth in income was basically import price-driven. Government could attract BDT 16,504 crore till Mar'22 through national saving certificate which is 51% its yearly target. Subsequently, to meet up deficit arising from NSC, government is leaning towards bank borrowing. Government has borrowed BDT 484.08 bio from banking system till 30 May 2022. Prices of essential products is on rising trend, especially the rice harvest due to the flash flood and other grains for Russia-Ukraine war. Moreover, BDT depreciation against USD kept inflation in pressure. Bangladesh bank revised rate for deposit would be 8% and lending rate would be 11%. Previously this rate was 7% and 11% respectively for NBFIs.

Outlook: Interest rate is expected to remain upward due to government borrowing pressure, exchange rate volatility and inflationary pressure.

Capital Market

- BSEC recently directed Meghna Bank, Al-Arafah Islami Bank, and Commercial Bank of Ceylon PLC to cancel their lien with Aman Cotton Fibrous Ltd in a move to recover BDT 730 Mn of investors' funds
- Bashundhara Group has filed an application with BSEC for establishing a private commodity exchange ABG Commodity Exchange (ABGEX), under the supervision of the BSEC. ABGEX would provide all facilities related to commodity exchange which includes but not limited to providing a platform to sellers and buyers to sell, buy and transfer all kinds of commodities and derivatives available in Bangladesh and abroad.
- BSEC reduced the limit on share price fall to 2% from 5% for all listed companies to arrest free fall on the market. However, the prices can rise by the maximum 10% set through the previously issued order.

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%
30-May-22	91 Days	5.69%	5.50%
22-May-22	182 Days	6.19%	5.15%
30-May-22	364 Days	6.26%	6.19%
11-May-22	2 Years	6.19%	5.86%
18-May-22	5 Years	7.70%	7.00%
25-May-22	10 Years	8.00%	7.74%
27-Apr-22	15 Years	7.98%	7.62%
27-Apr-22	20 Years	8.05%	7.75%

Capital Market

Index	Value	Weekly %	USD LIBOR	
			Tenor	LIBOR
DSEX	6,369.33	1.91%	1M	1.06171
FTSE 100	7,585.46	2.65%	2M	N/A
Nikkei 225	26,781.68	0.16%	3M	1.59786
Dow Jones IA	33,212.96	6.24%	6M	2.08614
S&P 500	4,158.24	6.58%	1Y	2.69571

Commodities

Commodity (unit)	Latest Price	Weekly Change	USD SOFR	
			Tenor	SOFR
Brent Crude Oil (BBL)	119.43	6.11%	Overnight	0.78000
Gold (OZS)	1,852.73	0.38%	1M	1.04505
ICE-US Cotton (LBS)	139.42	2.00%	3M	1.39950
Soybean (BSH)	1,732.25	1.58%	6M	1.75488
Wheat (BSH)	1,157.50	0.96%	1Y	2.24755
Sugar (LBS)	19.61	1.70%	Source	Reuters CME Term SOFR
Palm Oil (Tonne)	1,571.25	3.12%		
Steel (Tonne)	1,195.00	13.72%		

Released Economic Data (South Asia & China)

Indicator	India	Pakistan	China	Bangladesh
CPI (YoY)	7.79%	13.40%	2.10%	6.29%
GDP Annual Growth Rate	5.40%	3.94%	4.80%	6.94%
Policy Repo Rate	4.40%	13.75%	3.70%	5.00%
Government Bond 10Y	7.35%	12.73%	2.75%	8.00%

Released Economic Data (G8 Countries)

Indicator	USA	UK	Eurozone	Japan
CPI (YoY)	8.30%	9.00%	7.40%	2.50%
GDP Growth Rate	-1.50%	0.80%	0.30%	-0.20%
Unemployment Rate	3.60%	3.70%	6.80%	2.60%
Base Rate	1.00%	1.00%	0.00%	-0.10%
Government Bond 10Y	2.74%	1.92%	1.77%	0.23%

*10-Year Eurozone Central Government Bond Par Yield Curve

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