

## Currency Outlook

### USDBDT Exchange Rate

Bangladesh Bank has taken additional measures to tame the volatility in the market. Under Bangladesh Bank's latest moves, all the authorized dealer (AD) banks have been advised to quote their exchange rates uniformly instead of individually or as free float as allowed earlier. The rate for settlement of import payments current stands at USD/BDT 93.00 and the rate for encashment of inward remittance stands at USD/BDT 92.00.

Bangladesh Bank is continuously providing support to government banks to meet large value payments of essential goods. BB has so far injected \$6.86 billion from the reserves directly into commercial banks as liquidity support for settling their import-payment obligations in the current fiscal year, FY 2021-22. As on 15 June 2022, FX reserves stand at USD 41.383 bio, whereas the figure was USD 45.371 bio just a year before on 15 Jun 2021.

The governor has remarked that rising inflation and high dollar exchange rate have become new challenges to the economic recovery after Covid-19. However, there is no reason to panic as reserves are ample to support three-months' import bill. It was also mentioned that the government intends to spend \$3 billion on emergency food, fuel oil and electricity and the total government cost in three months will be about 26 billion dollars.

**Outlook:** BDT is expected to continue depreciating against USD.

### Global Currencies

#### EURUSD -0.19% weekly change ↓

EUR/USD extended its slide after dropping below 1.0500 and touched a fresh daily low below 1.0450. As the dollar continues to gather strength, the pair closed the second straight week in negative territory. In case the pair starts using that level as support, 1.0460 could be seen as the next bearish target ahead of 1.0400.

#### GBPUSD -0.73% weekly change ↓

GBP/USD has ended the week below 1.2200, erasing a large portion of the BOE-inspired rally. Following the two-day slump, the dollar continues to gather strength ahead of the weekend, forcing the pair to stay on the back foot. If the pair manages to hold above 1.2300, it could climb toward 1.2370, 1.2420 and 1.2450.

#### AUDUSD -1.70% weekly change ↓

AUD/USD witnessed some selling on Friday and snapped a two-day winning streak to the weekly high. The emergence of fresh USD buying turned out to be a key factor that exerted downward pressure. Retreating US bond yields, a positive risk tone might cap gains for the USD and lend support to the pair.

#### USDJPY 0.40% weekly change ↓

USD/JPY is extended gains above 134.00, having witnessed a week amid the dovish rhetoric from the Bank of Japan. BOJ Governor Kuroda talks up easy monetary policy view. The US dollar rebounds alongside yields ahead of Powell. Immediate resistance is pegged near the 135.10-135.15 region ahead of a multi-year high, around the 135.55-135.60 area.

#### USDCNY 0.12% weekly change ↑

USD/CNY comes to a standstill week, tad below 6.7040. Last at 6.6996 as SSEC flickers back into the black at +0.6%. Nascent risk-bounce also seen in S&P futures rising 0.6%. USD/CNY needs fresh trigger; Monday's LPR fixing may be it. Slim chance of China easing sets stage for surprise.

## Money Market and Interest Rate

### Money Market

Item	Avg. Vol. (Cr.)	% Δ (Vol.)	WAR	% Δ (WAR)
Call	7,981	-7.05%	5.01%	0.02%
Repo	2,434	-20.56%	5.25%	0.08%
Term	46	20.03%	7.52%	0.88%

Excess reserve (Excess CRR: un-invested cash) in banking system came down to BDT 204 bio by end of Apr 2022 from BDT 265 bio as of end of Mar 2022. Total liquid asset (excess of min required asset) including excess investment in government treasury securities came down to BDT 1.86 trillion at end of Apr 2022 compared to BDT 1.99 trillion as of Mar 2022. **Auction:** Auction for 91D & 182D T-Bill took place yesterday and yield remained unchanged at 6.05% & increased by 09 bps to 6.59% respectively. Auction for 5Y T-bond took place last week and yield increased by 10 bps to 7.80%.

**Outlook:** Money Market liquidity should be low as the auction volume is significantly higher than market maturity.

### Interest Rate

Experts and economists have proposed some prudent measures to meet budgetary goals and three major concerns of current situation which are revenue collection followed by managing ballooning fiscal subsidy and financing the growing fiscal deficit. According to Dr. A.H Mansur, executive director of PRI, The NBR's revenue target for FY23 has been set at BDT 3.7 trillion, which will require the collection to grow by about 28%, compared with the actual growth rates ranging between 13% and 15% per year. They are expecting revenue shortfall in FY 23 will be around BDT 400.00 bio. Also subsidies and incentive allocation of BDT 720 billion might not be adequate and this amount might increase by 15% to 20%, he added.

Local currency is depreciating due to higher import payment amid global price rises compared to the inflow. Between July and April, trade deficit has widened to 27.56 bio which shows 53% up in year on year basis. This has ultimately led to the depletion of foreign exchange reserve depletion and it has already come down to USD 41.38 bio as on 15 June 2022 which is adequate to meet three months import bill. Overall ADP implementation for the Jul-May period of FY22 has stood up to BDT 1.42 bio which is only 65.5% of total revised allocation of BDT 2.17 bio. This shows 17% growth on year on year basis. However, according to research director of CPD, pace of implementation jumps in June and they are expecting overall 88% achievement considering previous year's implementation rate.

**Outlook:** Interest rate is expected to remain upward trend due to exchange rate budget deficit pressure on country's economy.

### Capital Market

- BSEC has allowed Global Islami Bank Ltd to raise BDT4250 Mn through an IPO. The bank will use the fund to invest in Treasury securities and publicly traded securities and to meet the IPO expenses.
- Maslin Capital, a fund management company belonging to City Group, has initiated a process to launch a BDT 1.0 Bn impact fund. City Bank Capital Resources Ltd has been appointed as the mandated lead arranger of the fund. Impact funds are alternative investment funds that consider the environmental, social and governance (ESG) impact of their investments in businesses.

## 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%
20-Jun-22	91 Days	6.05%	6.05%
20-Jun-22	182 Days	6.59%	6.50%
13-Jun-22	364 Days	6.66%	6.26%
08-Jun-22	2 Years	7.21%	6.19%
15-Jun-22	5 Years	7.80%	7.70%
25-May-22	10 Years	8.00%	7.74%
31-May-22	15 Years	8.26%	7.98%
31-May-22	20 Years	8.56%	8.05%

### Capital Market

Index	Value	Weekly %	USD LIBOR Tenor	LIBOR
DSEX	6,406.47	0.23%	1M	1.61229
FTSE 100	7,016.25	-2.42%	2M	N/A
Nikkei 225	25,963.00	-3.80%	3M	2.09586
Dow Jones IA	29,888.78	-4.79%	6M	2.78043
S&P 500	4,108.54	0.00%	1Y	3.58586

### Commodities

Commodity (unit)	Latest Price	Weekly Change	USD SOFR Tenor	SOFR
Brent Crude Oil (BBL)	113.12	-7.29%	Overnight	1.45000
Gold (OZS)	1,839.35	-1.69%	1M	1.50684
ICE-US Cotton (LBS)	143.45	-1.11%	3M	1.93428
Soybean (BSH)	1,702.00	-1.45%	6M	2.51372
Wheat (BSH)	1,034.25	-4.26%	1Y	3.16594
Sugar (LBS)	18.60	-1.43%	Source	Reuters CME Term SOFR
Palm Oil (Tonne)	1,289.75	-9.62%		
Steel (Tonne)	1,126.00	-1.66%		

### Released Economic Data (South Asia & China)

Indicator	India	Pakistan	China	Bangladesh
CPI (YoY)	7.04%	13.80%	2.10%	6.29%
GDP Annual Growth Rate	4.10%	3.94%	4.80%	6.94%
Policy Repo Rate	4.90%	13.75%	3.70%	5.00%
Government Bond 10Y	7.55%	12.91%	2.82%	8.00%

### Released Economic Data (G8 Countries)

Indicator	USA	UK	Eurozone	Japan
CPI (YoY)	8.60%	9.00%	8.10%	2.50%
GDP Growth Rate	-1.50%	0.80%	0.60%	-0.10%
Unemployment Rate	3.60%	3.80%	6.80%	2.50%
Base Rate	1.75%	1.25%	0.00%	-0.10%
Government Bond 10Y	3.23%	2.49%	2.43%	0.23%

\*10-Year Eurozone Central Government Bond Par Yield Curve

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