

## Currency Outlook

### USDBDT Exchange Rate

Bangladesh's trade deficit is projected to be \$33 billion in the just-concluded fiscal year. The trade deficit is expected to increase further to \$36.70 billion in the next fiscal year of FY2022-23. In the interbank market, there is still huge demand for USD funds as banks are struggling to meet foreign currency payments. The government is taking various initiatives to bring stability to the market. E.g. Fuel frugality and curbs on gas import to save country's foreign-exchange reserves. Bangladesh Bank is continuously supporting government banks to make large volume foreign currency payments, providing such liquidity support to the banks for settling import-payment obligations, particularly for importing six essential items, including fuel-oils, LNG, food grains, fertilizer, COVID-19 vaccine and electricity.

The central bank has pumped over USD 7.0 Bn into the country's overheated foreign-exchange (forex) market in around 11 months to defend exchange rate of the local currency against the greenback. The country's foreign exchange reserves have plummeted to 41.5 bio on 22 Jun 22 as a result of continuous USD sell by Bangladesh Bank to the interbank market. Currency devaluation has led to a steep selloff in foreign investment portfolios in the stock market as a weakening taka against dollar erodes foreign investors' profit. Currently USD is being traded at 93.45 in the interbank market while the rate for import payments and inward remittance encashment remains unchanged at 93.50 and 92.50 respectively.

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

### Global Currencies

#### EURUSD -1.14% weekly change ↓

EUR/USD remains pressured below 1.0450, as the US dollar sees fresh demand amid a cautious market mood. Recession fears and Fed-ECB policy contrast will keep favoring the dollar. A breach of parity this quarter is now a very plausible risk.

#### GBPUSD -1.14% weekly change ↓

GBP/USD licks its wounds around 1.2100, as investors stalk the US dollar amid growing growth fears. Another attempt to oust UK PM Johnson and looming Brexit woes keep the upside elusive in cable. The recent slump in the US bond yields kept the USD bulls on the defensive and offered support. Aggressive Fed rate hike bets and recession fears cap gains for the major.

#### AUDUSD -2.01% weekly change ↓

AUD/USD is trading around 0.6800, consolidating the biggest weekly loss in four. The aussie meets fresh supply as the US dollar sees a renewed upside amid a mixed mood and holiday-thinned light trading. Focus shifts to the RBA rate decision. Support levels are at 0.6850 and 6810. Resistance levels are at 0.6955 and 0.6990.

#### USDJPY 0.01% weekly change ↑

USD/JPY attempts to sustain above 135.00 as focus shifts to Fed minutes and attempting to balance above 135.00 as the DXY is holding itself above 105.00. Fed's policy tightening measures will cut the growth prospects and job additions. BOJ's ultra-loose monetary policy has weakened the yen bulls.

#### USDCNY 0.18% weekly change ↑

USD/CNY pinned to 6.7000. PBOC fix at 6.7071 was slightly above forecast 6.7041. SSEC slips 0.2% as S&P futures -0.6% after last week rise. Recession fears abound; US NFP this week may shed light. FOMC minutes ahead also a factor for FX markets.

## Money Market and Interest Rate

### Money Market

Item	Avg. Vol. (Cr.)	% Δ (Vol.)	WAR	% Δ (WAR)
Call	6,285	-15.92%	4.40%	-0.56%
Repo	3,291	-7.93%	4.79%	-0.39%
Term	77	-2.14%	7.22%	0.16%

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 bio at end of Apr 2022 compared to BDT 1.99 bio as of Mar 2022. **Auction:** 91D & 182D T-Bill yield increased by 10 bps to 6.09% & 11 bps to 6.70% respectively. 15Y & 20Y T-bond yield increased by 29 bps to 8.55% and 9 bps to 8.65% respectively last week. **Outlook:** Money Market liquidity should be low as the auction volume is significantly higher than market maturity.

### Interest Rate

BB announced contractionary monetary policy for FY23 aiming to control inflation and smoothing exchange rate volatility. Repo rate has been increased by 50bps to 5.5% from 5.00%. But increasing policy rate while keeping cap at 9% on lending rate will not help to control inflation. Senior economists along with International Monetary Fund (IMF) already suggested the policymakers for phasing out cap on the lending and borrowing rates to help strengthen monetary transmission. BB also mentioned that they will take policy action if necessary. Private sector credit growth target has been set at 13.6% and 14.1% respectively for H1 and H2 of FY '23 while the public-sector credit growth at 32.3% and 36.3% respectively. Broad money supply has been set to 10% for H1 and 12.0% for H2 to support 7.5% GDP growth and 14.1% credit growth.

Inflation is recorded at 7.42% in May22. Such rising inflation is eating up depositors purchasing power which is ultimately leading depletion of deposit from banking sector. Total deposit from banking sector has plummeted by 40% to BDT 75,535 crore from BDT 126,000 crore in the same time a year ago. The total excess liquidity also dropped by BDT 13,300 crore in the span of a month in April from BDT 1.99 lakh crore in March. Govt. borrowing jumps in FY22 to BDT 64,755 crore, BDT 38,677 crore more from FY21. This high govt. borrowing trend will continue in FY23 as well to finance huge budget deficit, which ultimately may trigger crowding out effect. MOF ordered postponing fund release for less-priority projects under ADP as a cost-cutting measure amid global economic downturn. Though analysts says projects which have involvement with imports but have no foreign financing can be slowed down or suspended. There is no benefit of suspending projects which have foreign support.

**Outlook:** Interest rate is expected to remain upward due to inflationary pressure.

### Capital Market

- IPO of Navana Pharma is set to commence on 4 Jul 2022 aiming to raise BDT 750 Mn under the book-building method
- Raising capital from the stock market through initial public offerings (IPOs) fell by 57% YoY in FY22
- Total foreign investments in the Dhaka Stock Exchange have dropped to BDT 99.76 Bn, which is 2.19% of the total market capitalization of the bourse.

## 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%
04-Jul-22	91 Days	6.09%	5.99%
04-Jul-22	182 Days	6.70%	6.59%
27-Jun-22	364 Days	6.66%	6.66%
08-Jun-22	2 Years	7.21%	6.19%
15-Jun-22	5 Years	7.80%	7.70%
22-Jun-22	10 Years	8.10%	8.00%
29-Jun-22	15 Years	8.55%	8.26%
29-Jun-22	20 Years	8.65%	8.56%

### Capital Market

Index	Value	Weekly %	USD LIBOR	
			Tenor	LIBOR
DSEX	6,346.88	0.73%	1M	1.79757
FTSE 100	7,249.20	0.56%	2M	N/A
Nikkei 225	26,153.81	-1.28%	3M	2.29286
Dow Jones IA	31,097.26	-1.28%	6M	2.89929
S&P 500	3,825.33	-2.21%	1Y	3.56429

### Commodities

Commodity (unit)	Latest Price	Weekly Change	USD SOFR	
			Tenor	SOFR
Brent Crude Oil (BBL)	111.63	-1.33%	Overnight	1.50000
Gold (OZS)	1,810.18	-0.88%	1M	1.72789
ICE-US Cotton (LBS)	103.68	-0.08%	3M	2.10954
Soybean (BSH)	1,626.00	0.95%	6M	2.59685
Wheat (BSH)	831.25	-10.01%	1Y	3.02622
Sugar (LBS)	18.07	-1.63%	Source	Reuters CME Term SOFR
Palm Oil (Tonne)	1,108.25	1.74%		
Steel (Tonne)	925.00	-17.92%		

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

Indicator	India	Pakistan	China	Bangladesh
CPI (YoY)	7.04%	21.30%	2.10%	7.42%
GDP Annual Growth Rate	4.10%	3.94%	4.80%	6.94%
Policy Repo Rate	4.90%	13.75%	3.70%	5.50%
Government Bond 10Y	7.37%	12.91%	2.86%	8.10%

### Released Economic Data (G8 Countries)

Indicator	USA	UK	Eurozone	Japan
CPI (YoY)	8.60%	9.10%	8.60%	2.50%
GDP Growth Rate	-1.50%	0.80%	0.60%	-0.10%
Unemployment Rate	3.60%	3.80%	6.60%	2.60%
Base Rate	1.75%	1.25%	0.00%	-0.10%
Government Bond 10Y	2.89%	2.18%	2.32%	0.22%

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

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