

## Currency Outlook

### USDBDT Exchange Rate

Imports have deflated considerably, in terms of value of letters of credit (LCs) in the first half of this fiscal year. The overall import growth in value terms fell 22.52 per cent during July-December 2022 period over the same period a year before. Import of capital machinery fell sharply by 65.32 per cent during the period under review while industrial raw materials decreased by 27.27 per cent and consumer goods squeezed 14.41 per cent. FX Reserves stand at USD 32,517 bio (11 Jan 23). Although the country sent the highest number of migrant workers in its history in 2022, thanks to a surge in demand for laborers in the Middle Eastern countries, but remittance receipts did not go up proportionately. Money transferred by workers through the official channel dropped 6.65 per cent to \$21.28 billion in 2022 from \$22 billion a year earlier. On the export front, Bangladesh's apparel export to the European Union saw a 16.61% growth to USD 11.50 Bn during the first half of the fiscal 2022-23 year-on-year, according to export statistics of the Export Promotion Bureau (EPB).

As per the monetary policy statement, it is expected that exchange rate will move toward a unified rate (within 2% variation) within this fiscal year and a flexible exchange rate system for all international transactions bringing stability to the USDBDT exchange rate.

**Outlook:** Though import payments are expected to reduce in coming months, due to fall in remittance flow and surging foreign loan repayment, BDT is expected to remain under pressure against USD.

### Global Currencies

**EURUSD 1.73% weekly change** ↓

EUR/USD has gathered recovery momentum and climbed above 1.0820 following the upbeat Consumer Confidence data from the US, the US Dollar came under renewed selling pressure and helped the pair gain traction. Static resistance for the pair seems to have formed at 1.0870. Once the pair rises above that level, it is likely to rise toward 1.0900.

**GBPUSD 1.11% weekly change** ↑

After having declined toward 1.2150, GBP/USD reversed its direction and rose above 1.2200. The US Dollar is having a difficult time preserving its recovery momentum after the UoM data showed a further decline in one-year inflation expectations in early January. GBP/USD faces static resistance at 1.2250. If the pair rises above that level and starts using it as support, it could target 1.2300.

**AUDUSD 1.45% weekly change** ↑

The AUD/USD pair retreats from the vicinity of the 0.7000 psychological mark and continues losing ground. A combination of factors helps revive the USD demand and exerts downward pressure on the pair. The technical setup favours bulls and supports prospects for the emergence of some dip-buying.

**USDJPY -3.17% weekly change** ↓

The USD/JPY is falling sharply for the second day in a row and it is trading under 128.00 at the lowest level since late May of last year. The decline takes place even amid a modest recovery of the US Dollar following Thursday's slide after US CPI data.

**USDCNY -1.99% weekly change** ↓

USD/CNY pauses near 6-mth low; China trade above forecasts. Bearish bias persists below 6.8040. China exports and imports both beat forecasts. But trade data largely ignored as focus firmly on stimulus.

## Money Market and Interest Rate

### Money Market

Item	Avg. Vol. (Cr.)	% Δ (Vol.)	WAR	% Δ (WAR)
Call	4951.64	6.54%	6.76%	0.78%
Repo	3798.29	-31.94%	7.99%	0.00%
Term	59.20	25.01%	8.94%	1.09%

Excess reserve (Excess CRR: un-invested cash) in banking system decreased to BDT 123.58 bio by end of Sep'22 from BDT 129.01 bio as of end of Aug'22. Total liquid asset (excess of min required asset) including excess investment in government treasury securities remained almost same to BDT 2.45 bio at end of Sep'22 from Aug'22. **Auction:** Auctions for 91D & 182D were held today where the yield decreased by 1 bps and 10 bps respectively. Market took full volume for 91D and only BDT 4.27 bio out of 10 bio for 182D.

**Outlook:** Liquidity shortage is expected to persist due to uncertainty of BB repo.

### Interest Rate

#### Highlights from MPS H2'FY23

#### This year's MPS is formulated considering

- 6.50% Revised GDP Growth Target (Growth Outlook favorable)
- 7.50% headline inflation ceiling (Inflation outlook remain volatile with upward pressures)

#### Cautiously accommodative policy stance with tightening bias to

- Contain inflation
- Contain exchange rate pressures
- Support economic growth

#### Major Updates

- Policy rates up by 25 bps (Repo 6.00 & Reverse Repo 4.25)
- Market-based exchange rate with 2% variation by Jun'23
- No floor on deposit rates\* (presently tagged with Inflation)
- Consumer loan rate cap fixed at 12%
- No cap for credit card\* (presently 20%)
- Lending rate cap remain on hold\* until "suitable economic condition"

**Outlook:** Interest rate is expected to remain upward due to the pressure on forex reserve and inflation.

### Capital Market

- Electronic subscription of IPO shares of Asiatic Laboratories by the general investors has now been held up until further notice as BSEC received complaints about its fixed assets being overstated, and disputes over ownership.
- Monno Welfare Foundation, a corporate director of Monno Ceramic Industries, is going to sell another 200,000 shares out of its holding of 10,139,077 shares at Monno Ceramic
- BSEC has turned down the proposal of Safko Spinning Mills to issue a 1% stock dividend for the 2021-22 fiscal year

## Market Synopsis

### Treasury Bill & Bond Yields

Latest Issue Date	Tenor	Latest Yield	Previous Yield
16-Jan-23	91 Days	7.44%	7.45%
16-Jan-23	182 Days	7.59%	7.69%
09-Jan-23	364 Days	8.10%	8.00%
04-Jan-23	2 Years	8.20%	7.57%
11-Dec-22	5 Years	8.29%	7.91%
21-Dec-22	10 Years	8.33%	8.26%
28-Dec-22	15 Years	8.79%	8.72%
28-Dec-22	20 Years	8.95%	8.93%

### USD SOFR

Tenor	SOFR
Overnight	4.30000
1M	4.48282
3M	4.63190
6M	4.79159
1Y	4.82233
Source	Refinitiv, CME Term SOFR

### Commodities

Commodity (unit)	Latest Price	Weekly Change
Brent Crude Oil (BBL)	85.28	8.54%
Gold (OZS)	1920.21	2.92%
ICE-US Cotton (LBS)	82.29	-3.96%
Soybean (BSH)	1538.20	2.45%
Wheat (BSH)	743.60	0.03%
Sugar (LBS)	19.73	4.06%
Palm Oil (Tonne)	884.25	-2.29%
Steel (Tonne)	725.00	-0.68%

### USD LIBOR

Tenor	LIBOR
1M	4.45443
3M	4.79243
6M	5.10114
1Y	5.35700
Source	Refinitiv

### Capital Market

Index	Value
DSEX	6,207.29
FTSE 100	7,844.07
Nikkei 225	26,119.52
Dow Jones IA	34,302.61
S&P 500	3,999.09

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

Indicator	India	Pakistan	China	Bangladesh
CPI (YoY)	5.72%	24.5%	1.80%	8.71%
GDP Annual Growth Rate	6.30%	3.94%	3.9%	6.50%(P)
Policy Repo Rate	6.25%	16.00%	3.65%	6.00%
Government Bond 10Y	7.30%	14.07%	2.93%	8.33%

### Released Economic Data (G8 Countries)

Indicator	USA	UK	Eurozone	Japan
CPI (YoY)	6.50%	10.7%	9.20%	3.80%
GDP Growth Rate	3.20%	-0.30%	0.3%	-0.2%
Unemployment Rate	3.50%	3.70%	6.50%	2.50%
Base Rate	4.50%	3.50%	2.5%	-0.10%
Government Bond 10Y	3.50%	3.37%	2.98%	0.51%

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

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