

Currency Outlook

USDBDT Exchange Rate

The Balance of Payments deficit would widen massively in the current fiscal year than the central bank had earlier projected. In June, projected BoP deficit was \$150 million for the entire fiscal year of 2022-23. But now the BB said the BoP deficit would be \$5.08 billion in FY23, according to the MPS for January-June, though LC opening is slashed to average \$5.3 bio/month in Jul-Dec FY 23 compared to \$7.3 bio/month in same period of FY 22. It's the financial account that is now stressing the reserve. It was \$4.8 bio net inflow in Jul-Nov FY 22, which is \$157 million net outflow in Jul-Nov FY 23.

The Bangladesh Bank has downsized the Export Development Fund (EDF) by \$1 billion to \$6 billion and aims at reducing it by another \$2-3 billion in the next six months, in line with the IMF's suggestion to come out of commercial lending from the reserves. The move is a part of the central bank's plan to phase out foreign currency lending under the EDF, which is built from forex reserves – a development that might upset exporters who have been availing low-cost finance in foreign currency under this fund for over three decades. The Bangladesh Bank (BB) in its latest annual report has sounded a caution stating that some headwinds to economic growth and inflation outlook could emerge from external factors despite a resilient economic recovery that prevailed in FY22.

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 0.25% weekly change ↑

The EUR/USD pair trades at around 1.0830, unchanged from its last week opening as investors await a fresh catalyst. Growth-related figures and the US Q4 Gross Domestic Product to bring answers next week. The EUR/USD weakness past 1.0715 will be interesting to watch and recovery moves may initially aim for the latest peak of 1.0890 ahead of the 1.0900 round figure.

GBPUSD 1.37% weekly change ↑

GBP/USD posted weekly gain, although missing momentum. Dismal United Kingdom macroeconomic data undermines demand for the Pound despite the US Dollar's lack of appeal. Should the Cable break above the round-level resistance of 1.2400 decisively, Pound Sterling bulls will drive the asset towards the psychological resistance of 1.2500.

AUDUSD -0.13% weekly change ↓

AUD/USD closed with modest gains above 0.6900, lacks bullish conviction. A mildly positive risk tone might act as a tailwind for the risk-sensitive Aussie. Support levels are 0.6870 and 0.6840. Resistance levels are 0.6930 and 0.6970.

USDJPY 1.32% weekly change ↑

USD/JPY holds to weekly gains near 130.00, high volatility to persist. Japanese Yen among worst G10 performers after BoJ status quo. US Dollar mixed between higher yields and risk sentiment. USD/JPY attempts recovery, still limited below 131.30.

USDCNY 1.22% weekly change ↑

USD/CNY consolidates, stays buoyant before week-long break. USD/CNY consolidates around 6.7860. Momentum fades heading into China's week-long break from Monday. Topside likely limited around 6.8000.

Money Market and Interest Rate

Money Market

Item	Avg. Vol. (Cr.)	% Δ (Vol.)	WAR	% Δ (WAR)
Call	4203.42	-3.02%	6.74%	-0.02%
Repo	4745.54	7.68%	7.55%	-0.10%
Term	37.10	-37.25%	7.88%	-1.06%

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 & 364D were held today where the yield decreased by 9 bps and 16 bps respectively. Market took full volume of BDT 35 bio for both bills.

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

Interest Rate

The government up to August 2022 had paid 32% of its operating expenditure or Tk 116.86 billion for interest purposes. It was Tk 99.3 billion during the same period a year earlier, according to the finance division's latest data. The total interest payment in FY22 was BDT 708.06 bio, which is estimated to be BDT 803.75 billion in FY23 (13.5% growth). Economists say such huge interest payments against both domestic and foreign loans squeeze the space for growth-support financing. As per people at the finance division, the rise is actually a "lag effect" of the large volume of the outstanding stock of the National Saving Certificates. According to Bangladesh Bank data, the private sector credit growth dropped to 12.8% in December, the sixth month of the current financial year 2022-23, from 13.97% in November. Whereas deposit grew at 6.68% YOY up to Nov FY23, lowest in last ten years.

The unit price of gas has spiked nearly threefold from Tk 11.98 to Tk 30 (2.51 times), as per a notification issued by the Energy and Mineral Resources Division on Thursday. Such leap in energy prices are expected to increase manufacturing cost of almost all products and give another shot to the surging inflation. According to the Bangladesh Bank's annual report, the major challenges for Bangladesh will be keeping inflation under control while maintaining currency rate stability in the coming days.

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

Capital Market

- DSE has rebalanced the indices—the DSE broad index DSEX, DS30 index, and DSE SME Growth Index (DSMEX) - in accordance with S&P Dow Jones Index methodology. This will come into effect from 22 Jan
- Stocks extended the winning streak for a second week straight to Thursday as the optimistic investors kept their buying binge on sector-specific issues in anticipation of quick gains.
- BSEC has formed three committees to look into the assets of three fund managers: LR Global Bangladesh, Race Asset Management and ICB Asset Management.

Market Synopsis

Treasury Bill & Bond Yields

Latest Issue Date	Tenor	Latest Yield	Previous Yield
23-Jan-23	91 Days	7.35%	7.44%
16-Jan-23	182 Days	7.59%	7.69%
23-Jan-23	364 Days	7.94%	8.10%
04-Jan-23	2 Years	8.20%	7.57%
11-Dec-22	5 Years	8.29%	7.91%
18-Jan-23	10 Years	8.34%	8.33%
28-Dec-22	15 Years	8.79%	8.72%
28-Dec-22	20 Years	8.95%	8.93%

USD SOFR

Tenor	SOFR
Overnight	4.31000
1M	4.52038
3M	4.65863
6M	4.80453
1Y	4.81788
Source	Refinitiv, CME Term SOFR

Commodities

Commodity (unit)	Latest Price	Weekly Change
Brent Crude Oil (BBL)	87.63	2.76%
Gold (OZS)	1926.57	0.33%
ICE-US Cotton (LBS)	86.70	5.36%
Soybean (BSH)	1504.40	-2.20%
Wheat (BSH)	741.40	-0.30%
Sugar (LBS)	19.72	-0.05%
Palm Oil (Tonne)	906.00	2.46%
Steel (Tonne)	715.00	-1.38%

USD LIBOR

Tenor	LIBOR
1M	4.51314
3M	4.81557
6M	5.10200
1Y	5.34729
Source	Refinitiv

Capital Market

Index	Value
DSEX	6,265.44
FTSE 100	7,770.59
Nikkei 225	26,553.53
Dow Jones IA	33,375.49
S&P 500	3,972.61

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%	2.9%	6.50%(P)
Policy Repo Rate	6.25%	16.00%	3.65%	6.00%
Government Bond 10Y	7.35%	14.08%	2.99%	8.34%

Released Economic Data (G8 Countries)

Indicator	USA	UK	Eurozone	Japan
CPI (YoY)	6.50%	10.5%	9.20%	4.00%
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	3.48%	3.38%	2.68%	0.40%

*10-Year Eurozone Central Government Bond Par Yield Curve

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