

## Currency Outlook

### USDBDT Exchange Rate

Bangladesh's foreign exchange reserves dropped to \$32.29 billion on Jan 26 due to import obligations. On Jan 5, Bangladesh Bank made a payment of \$1.12 billion to the Asian Clearing Union for the months of Nov and Dec. The reserves came down to \$33.83 billion on Dec 2022 from record \$48.6 billion in Aug 2021. Bangladesh. With dollar support by the central bank, state-owned commercial banks spent 80% of their foreign currencies for government imports in July-December, keeping the domestic food and energy supply normal. In the first six months of FY23, the Bangladesh Bank has sold \$7.8 billion, of which \$7.2 billion was supplied to the state-owned banks for importing food, fertilizer and energy, according to industry insiders.

Meanwhile, the pharma industry has taken a hit due to scarcity of USD. Bangladesh Bank data showed local drug-makers opened LCs for the imports of raw materials worth \$465.43 million in the first six months of the current financial year. It was \$599.85 million in the corresponding period in 2021-22. Bangladesh needs to import \$1.3 billion worth of raw materials for the pharmaceuticals sector a year since local firms can at best meet 10% to 15% of the annual demand for inputs

**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 0.11% weekly change ▲

EUR/USD retreats to 1.0850 area as US Dollar rebounds. Profit-taking ahead of the weekend and the negative shift witnessed in risk sentiment seems to be helping the US Dollar gather strength against its rivals, weighing on the pair. From a technical perspective the mid-1.0800s, is likely to protect the immediate downside. A convincing break below might drag the EUR/USD pair further towards the 1.0800 round-figure mark.

#### GBPUSD 0.03% weekly change ▲

GBP/USD is having a difficult time gathering recovery momentum and trading in negative territory below 1.2400. a clear break of the descending resistance line from close to 1.2430 by the press time, appears necessary for the GBP/USD bulls to keep the reins. Following that, the 1.2500 and the 1.2600 round figure may act as upside filters.

#### AUDUSD 1.97% weekly change ▲

The AUD/USD pair is seen oscillating in a narrow trading band and consolidating its recent strong gains to the highest level since June 2022. The pair is currently placed around the 0.7100 mark. The AUD/USD might continue its uptrend, albeit trimming some of its gains.

#### USDJPY 1.32% weekly change ▲

The USD/JPY pair remained depressed and dropped to a fresh daily low, around mid-129.00s following the release of the US macro data. A convincing break below the support, currently around the 128.60-128.50 region, will confirm a fresh breakdown.

#### USDCNY (No Change)

USD/CNY rises to 6.7440, now above 6.7373. Rebound from 6.7226 comes amid fear of China chip controls. Resumption of anti-China moves could sour investor appetite.

## Money Market and Interest Rate

### Money Market

Item	Avg. Vol. (Cr.)	% Δ (Vol.)	WAR	% Δ (WAR)
Call	4785.81	2.77%	6.88%	0.14%
Repo	4278.02	-2.12%	7.53%	-0.07%
Term	47.40	27.65%	8.12%	0.23%

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 trio at end of Sep'22 from Aug'22. **Auction:** Auctions for 91D & 182D were held today where the yield decreased by 10 bps and 11 bps respectively. BDT 520 crore from 182D was devolved on BB.

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

### Interest Rate

Implementation of the ADP in H1FY23 stood at 23.53%, the lowest in the last six years. According to the IMED, BDT 603.13bn of the total BDT2.56tn allocations were spent. The rate was 24.06% in H1FY22. In the H1FY17, the execution rate was lowest at 23.24%.

The amount of excess liquidity (excess CRR: Cash Reserve) in the country's banking sector plunged by BDT 255bn to only BDT 65bn at the end of November 2022 from BDT 321bn as of December 2021.

The government is likely to defer the enforcement of the newly hiked prices of gas to April instead of February, in a bid to make some breathing room for industries. On the flip side, refiners moved to hike again the price of sugar by BDT 12/kg rather preemptively. Direct government buy of edible oils and sugar from overseas sources is under consideration to avert any crisis. Albeit government authorities have already started search for potential markets, especially South American countries like Brazil and Argentina, to import the two essential items under government-to- government mechanism ahead of the month of Ramadan, when market perennially gets overheated, there seems no respite for inflation.

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

### Capital Market

- BSEC has approved the appointment of seven distinguished persons as independent directors for the constitution of the new board of directors of the Chittagong Stock Exchange
- Trust Islami Life Insurance is set to raise Tk 160 million from the primary market by floating an IPO under fixed price method. Funds will be utilised to invest in treasury bonds, in stocks and FDR (fixed deposit receipt) apart from bearing the IPO expenses
- Three sponsor-directors of Hakkani Pulp and Paper Mills Limited have expressed their intention to sell three lakh shares from their holdings in the company at the prevailing market price of the Chittagong Stock Exchange (CSE).

## Market Synopsis

### Treasury Bill & Bond Yields

Latest Issue Date	Tenor	Latest Yield	Previous Yield
30-Jan-23	91 Days	7.25%	7.35%
30-Jan-23	182 Days	7.48%	7.59%
23-Jan-23	364 Days	7.94%	8.10%
04-Jan-23	2 Years	8.20%	7.57%
11-Jan-22	5 Years	8.29%	7.91%
18-Jan-23	10 Years	8.34%	8.33%
25-Jan-22	15 Years	8.76%	8.79%
25-Jan-22	20 Years	8.89%	8.95%

### USD SOFR

Tenor	SOFR
Overnight	4.30000
1M	4.56144
3M	4.67599
6M	4.82377
1Y	4.83591
Source	Refinitiv, CME Term SOFR

### Commodities

Commodity (unit)	Latest Price	Weekly Change
Brent Crude Oil (BBL)	86.66	-1.11%
Gold (OZS)	1927.34	0.04%
ICE-US Cotton (LBS)	86.89	0.22%
Soybean (BSH)	1509.40	0.33%
Wheat (BSH)	750.00	1.16%
Sugar (LBS)	20.96	6.29%
Palm Oil (Tonne)	913.00	0.77%
Steel (Tonne)	775.00	8.39%

### USD LIBOR

Tenor	LIBOR
1M	4.56971
3M	4.82529
6M	5.10229
1Y	5.31614
Source	Refinitiv

### Capital Market

Index	Value
DSEX	6,296.26
FTSE 100	7,765.15
Nikkei 225	27,382.56
Dow Jones IA	33,978.08
S&P 500	4,070.56

### 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%	17.00%	3.65%	6.00%
Government Bond 10Y	7.39%	14.39%	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	2.90%	-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	3.51%	3.33%	2.85%	0.48%

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

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