

Currency Outlook

USDBDT Exchange Rate

Bangladesh Bank is currently selling USD to banks at 101 BDT per USD to support them to make import payments. BAFEDA data shows, the central bank sold \$89 million to banks on Feb 1, 2023. Measures to control import have started to have an effect on the trade deficit, which narrowed by 21% in the first half of the current fiscal 2022-23. The ease of balance of payment also helped to reduce the country's current account deficit by 36% in the July-December period of the current fiscal year. Data obtained from the central bank show that the country's trade deficit declined to \$12.30 billion in July-December of FY23 from \$15.7 billion in the same period of the last year. The trade balance in the first half of the fiscal year shows that it is likely to be in line with the central bank's monetary projection of a \$20.9 billion deficit at the end of FY23. Rising exports and declining imports have helped the Bangladesh Bank bring the country's external position to a comfortable zone. An International Monetary Fund press release regarding the \$4.7 billion loan approval for Bangladesh has projected a faster recovery of the external sector with forex reserves reaching \$53.1 billion by FY27. The high reserve will reduce pressure on the external position as the current account deficit will be 3%-4% of GDP during the period till FY27, which is considered a standard level.

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 -0.68% weekly change ↓

EUR/USD came under strong bearish pressure and declined below 1.0800 as the US Dollar gathered strength on the impressive January jobs report. With Wall Street's main indexes rebounding from daily lows, however, the pair seems to have found support. 1.0730 will be the next strong support.

GBPUSD -2.97% weekly change ↓

GBP/USD collapses to new 4-week lows at 1.2059 after robust US economic data. The Pound Sterling opposes no resistance to upbeat economic data in the United States. US jobs data and services activity showed that the US economy remains solid despite the US Federal Reserve tightening cycle. For the next week, GBP/USD eyeing the UK GDP and US Fed speakers.

AUDUSD -2.59% weekly change ↓

AUD/USD losses traction and plummeted to two-week lows around 0.6930s after solid US data. AUD/USD collapsed after US economic data revealed on Friday showed that the labor market remains tight, and it would keep the US Federal Reserve under pressure to bring down inflation to the 2% target.

USDJPY 1.02% weekly change ↑

USD/JPY jumps to fresh daily high, eyes 131.00 mark on mostly upbeat NFP report. USD/JPY rallies around 150 pips in reaction to the mostly upbeat US employment report details. The US economy added 517K new jobs in January and the jobless rate dropped to 3.4%. A weaker risk tone, hawkish BoJ expectations could lend support to the JPY and cap gains.

USDCNY -0.14% weekly change ↓

USD/CNY extends higher; sellers might wait till near 6.8000. USD/CNY extends rally to 6.7478 as risk-off worsens in Asia. USD/CNY bears might shift offers to near 6.8000 psych barrier, 6.7948 should help reinforce that trading obstacle.

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 trillion at end of Sep'22 from Aug'22. **Auction:** Auctions for 91D & 364D were held today where the yields decreased by 18 bps and 12 bps respectively. BDT 946 crore from 364D was devolved on BB. **Outlook:** Liquidity shortage is expected to persist due to uncertainty of BB repo.

Interest Rate

Bangladesh logged higher growth in GDP in 2021-22 fiscal year compared to the previous year, but it was 15 basis points below the provisional estimate. The economy grew by 7.1% in 2021-22 fiscal year, up from 6.94% the previous year. However, the provisional GDP growth rate figure was 7.25% for FY22 (BBS). The value-added tax (VAT) collection from the country's 107 large companies saw an overall growth of 9.7% in Jul-Dec period of the 2022-23 fiscal year, which was around 13% in the corresponding period of the 2021-22 fiscal year, according to the National Board of Revenue's Large Taxpayers Unit (LTU) data. The nearly 10% growth in large taxpayers' VAT collection is thought to have occurred mainly due to the increase in commodity prices and inflation. However, overall Tax revenue grew by 10.74% to BDT 1.4 trillion in H1FY23 compared to same time of FY22.

Lower sale of savings certificates (NSC) and shortfall in revenue collection from target, is compelling government to borrow more from inter-bank market through Treasury Bill/Bond. In H1FY23 NSC net sales was negative BDT 31 bio, four times lower, which was BDT 95 bio in H1FY22. During H1FY23 government borrowed BDT 656 bio from Bangladesh Bank mainly to replenish the outflow of BDT 805 bio due to USD sell to inter-bank market.

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

Capital Market

Profit booking pressure in majority stocks pushed equity indices marginally down on Sunday. DSEX, the broad-based index of the Dhaka Stock Exchange (DSE), closed 0.13% lower at 6,286, compared to the previous trading session.

BSEC has appointed Islam Jahid & Co Chartered Accountants as a special auditor at Alhaj Textile Mills to review its financial statements for the 2018-19 and 2019-20 fiscal years.

The Investment Corporation of Bangladesh (ICB) has decided to withdraw investment from Padma Bank, the erstwhile Farmers Bank, after not getting any return on the investment in five years. The state-owned investment corporation is now looking for strategic investors from home and abroad to sell its shares in the crisis-ridden lender.

Market Synopsis

Treasury Bill & Bond Yields

Latest Issue Date	Tenor	Latest Yield	Previous Yield
06-Feb-23	91 Days	7.07%	7.25%
30-Jan-23	182 Days	7.48%	7.59%
06-Feb-23	364 Days	7.82%	7.94%
02-Feb-23	2 Years	8.13%	8.20%
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	4.56000
1M	4.56702
3M	4.69218
6M	4.81482
1Y	4.79047
Source	Refinitiv, CME Term SOFR

Commodities

Commodity (unit)	Latest Price	Weekly Change
Brent Crude Oil (BBL)	79.94	-7.75%
Gold (OZS)	1865.53	-3.21%
ICE-US Cotton (LBS)	85.43	-1.68%
Soybean (BSH)	1532.00	1.50%
Wheat (BSH)	756.60	0.88%
Sugar (LBS)	21.24	1.34%
Palm Oil (Tonne)	874.00	-4.27%
Steel (Tonne)	797.00	2.84%

USD LIBOR

Tenor	LIBOR
1M	4.57186
3M	4.83414
6M	5.05743
1Y	5.25114
Source	Refinitiv

Capital Market

Index	Value
DSEX	6,294.73
FTSE 100	7,901.80
Nikkei 225	27,509.46
Dow Jones IA	33,926.01
S&P 500	4,136.48

Released Economic Data (South Asia & China)

Indicator	India	Pakistan	China	Bangladesh
CPI (YoY)	5.72%	27.6%	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	7.27%	14.59%	2.92%	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%	0.1%	-0.2%
Unemployment Rate	3.4%	3.70%	6.6%	2.50%
Base Rate	4.75%	4.00%	3.00%	-0.10%
Government Bond 10Y	3.51%	3.05%	3.02%	0.48%

*10-Year Eurozone Central Government Bond Par Yield Curve

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