

Currency Outlook

USDBDT Exchange Rate

Bangladesh Bank is taking various initiatives to increase foreign currency flows. In a recent initiative, Bangladeshi expatriate workers can now bring remittance amounting to US\$20,000 or its equivalent. The ceiling on undeclared amount of remittance has been doubled from the previous limit at US\$ 10,000 or its equivalent. Meanwhile BAFEDA and ABB have jointly decided to pay a higher rate of Tk0.50 against each dollar if the export proceeds for the shipments made in December and January are repatriated by 28 February. Earlier, BAFEDA had decided to increase the rate by Tk0.50 if the proceeds of November and December exports were brought in by 15 February.

The market expects that Bangladesh Bank's dollar-exchange rate may rise to Tk 105 by June to secure a unified market rate, as much of the greenback remains held back by exporters in hope of higher gains. The move now gets underway as economists and exporters press for unified market rate of the US currency and it is also known as a core recommendation in the International Monetary Fund (IMF) loan package. Even in the half-yearly monetary policy statement (MPS), announced last month, the central bank has mentioned that the difference in the regulated rates will be maximum two-percentage points.

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 0.17% weekly change ↑

EUR/USD has managed to stage a rebound and climbed above 1.0650 after having dropped to its weakest level since early January below 1.0620. Following some slightly dovish comments from Fed policymaker Barkin, the US Dollar lost strength and allowed the pair to edge higher.

GBPUSD -0.07% weekly change ↓

GBP/USD has reversed its direction and advanced toward 1.2000 in the American session on Friday. The modest retreat witnessed in the US Dollar Index seems to be helping the pair, which stays in negative territory on a weekly basis, edge higher ahead of the weekend.

AUDUSD -0.55% weekly change ↓

The AUD/USD pair remains under heavy selling pressure for the third successive day and drops to its lowest level since January 6 heading into the NA session on Friday. The pair is currently placed around the 0.6875 region, down over 0.70% for the day, and seems vulnerable to decline further.

USDJPY 2.07% weekly change ↑

The USD/JPY pair gains strong positive traction on the last day of the week and climbs to a nearly two-month high heading into the NA session. The pair is currently placed around the 135.00 psychological mark and seems poised to build on the recent appreciating move witnessed over the past two weeks or so.

USDCNY 0.87% weekly change ↑

USD/CNY ratchets higher to 6.8778, inches from 200 DMA 6.8834. Potential breakout higher may pierce Ichimoku cloud 6.8923. Fri close above that barrier will spur bulls toward 7.0000. Risk aversion in full swing as SSEC gives up early 0.2% gain.

Money Market and Interest Rate

Money Market

| Item | Avg. Vol. (Cr.) | % Δ (Vol.) | WAR | % Δ (WAR) |
|------|-----------------|------------|-------|-----------|
| Call | 6,468.99 | 1.38% | 6.02% | -0.01% |
| Repo | 4,888.92 | 17.71% | 6.23% | -0.02% |
| Term | 47.3 | -32.9% | 8.59% | 0.33% |

Excess reserve (Excess CRR: un-invested cash) in banking system increased to BDT 205.99 bio by end of Dec'22 from BDT 65.91 bio as of end of Nov'22. Total liquid asset (excess of min required asset) including excess investment in government treasury securities increased slightly to BDT 2.48 trio at then end of Dec'22 from 2.467 trio at end of Nov'22.

Interest Rate

Budget deficit widened to BDT 71.53 billion during the July-Nov FY23, 62% increase YOY, amid lower revenue collection. The total revenue mobilization was BDT 1.3 trillion up to November, just over 1% up YOY. Economists are of the view that government is losing revenue for lower import volume and suspended development projects.

The excess liquidity in the banking sector dropped significantly USD sales by central bank to commercial banks reached USD 9.1bio as of 26 Feb. FY23. The excess liquidity dropped by BDT81.28bn to BDT1.3tn in January MOM, which was BDT2.03tn in June last year. Data released by the Bangladesh Bank showed that total deposits in Islamic banks declined by BDT 11,426 crore as on December 2022 in a span of just three months, the first such decline in eight years, in a sign of erosion of confidence among savers owing to loan irregularities.

Bangladesh has made significant progress in the investment arena by offering quicker services at cheaper rates, according to a recent World Bank Group survey, which highlights that business registration takes only 2 days in 2020, which was 56.5 days in 2009. The survey report, "Investment Climate Reforms in Bangladesh: Findings from the End-Term Evaluation of Investment Climate Fund (BICF) Program", revealed that in 2009, a whopping 25.5% of per capita income was spent on starting a business, but it dropped to a mere 8.7% in 2020.

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

Capital Market

- (DSE) has got four new independent directors as the BSEC approved their appointment on Monday (20 February). The four directors are- Dr Hafiz Md Hasan Babu, dean of the faculty of Engineering and Technology of University of Dhaka; Dr Abdullah Al Mahmud, Professor of Department of Banking and Insurance of University of Dhaka; Md Afzal Hossain, former chairman of Bangladesh Trade & Tariff Commission; and Rubaba Dowla, country managing director for Oracle Bangladesh, Nepal and Bhutan.

- BSEC will go for full automation of all its process so that manipulation of stocks can be curbed in the market. It is also working to amend the securities laws so that the BSEC can hand down apt punishments for manipulators

Market Synopsis

Treasury Bill & Bond Yields

| Latest Issue Date | Tenor | Latest Yield | Previous Yield |
|-------------------|----------|--------------|----------------|
| 27-Feb-23 | 91 Days | 6.45% | 6.60% |
| 27-Feb-23 | 182 Days | 7.10% | 7.28% |
| 20-Feb-23 | 364 Days | 7.50% | 7.82% |
| 02-Feb-23 | 2 Years | 8.13% | 8.20% |
| 08-Feb-23 | 5 Years | 8.21% | 8.29% |
| 15-Feb-23 | 10 Years | 8.34% | 8.33% |
| 22-Feb-23 | 15 Years | 8.70% | 8.65% |
| 22-Feb-23 | 20 Years | 8.80% | 8.75% |

USD SOFR

| Tenor | SOFR |
|-----------|--------------------------|
| Overnight | 4.55000 |
| 1M | 4.61761 |
| 3M | 4.89047 |
| 6M | 5.12926 |
| 1Y | 5.29065 |
| Source | Refinitiv, CME Term SOFR |

Commodities

| Commodity (unit) | Latest Price | Weekly Change |
|-----------------------|--------------|---------------|
| Brent Crude Oil (BBL) | 83.16 | 0.19% |
| Gold (OZS) | 1810.81 | -1.67% |
| ICE-US Cotton (LBS) | 85.13 | 6.08% |
| Soybean (BSH) | 1529.00 | 0.11% |
| Wheat (BSH) | 708.20 | -7.47% |
| Sugar (LBS) | 21.28 | -0.61% |
| Palm Oil (Tonne) | 937.00 | 1.41% |
| Steel (Tonne) | 1020.00 | 27.82% |

USD LIBOR

| Tenor | LIBOR |
|--------|-----------|
| 1M | 4.63486 |
| 3M | 4.95343 |
| 6M | 5.23514 |
| 1Y | 5.63871 |
| Source | Refinitiv |

Capital Market

| Index | Value |
|--------------|-----------|
| DSEX | 6,205.12 |
| FTSE 100 | 7,939.12 |
| Nikkei 225 | 27,423.96 |
| Dow Jones IA | 32,816.92 |
| S&P 500 | 3,970.04 |

Released Economic Data (South Asia & China)

| Indicator | India | Pakistan | China | Bangladesh |
|------------------------|-------|----------|-------|------------|
| CPI (YoY) | 6.52% | 27.6% | 2.1% | 8.71% |
| GDP Annual Growth Rate | 6.30% | 3.94% | 2.9% | 6.50%(P) |
| Policy Repo Rate | 6.5% | 17.00% | 3.65% | 6.00% |
| Government Bond 10Y | 7.45% | 15.55% | 2.92% | 8.34% |

Released Economic Data (G8 Countries)

| Indicator | USA | UK | Eurozone | Japan |
|---------------------|---------|-------|----------|--------|
| CPI (YoY) | 6.40% | 10.1% | 8.6% | 4.3% |
| GDP Growth Rate | 2.7% | 0.00% | 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 | 3.9551% | 3.79% | 3.31%* | 0.50% |

*10-Year Eurozone Central Government Bond Par Yield Curve

For further information please contact:

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