

## Currency Outlook

### USDBDT Exchange Rate

Economy has slowed down due to the tightening of imports. The opening of LCs for import slumped by over 23% during eight months to February as Bangladesh takes on austerity measures to ease pressures on its foreign-exchange reserves. This is impacting many local manufacturers as the import of raw materials, capital machinery and intermediate goods also slowed down. The opening of LCs against intermediate goods dropped by 30.32% during the eight months, capital machinery by 54.11%, industrial raw materials by 30.05%, consumer goods 14.53%, machinery for miscellaneous industry by 43.18% and others by 17%. But the main export-earning sector of apparel—both woven and knit garments—remained outside the belt-tightening as they import through back-to-back LCs. The share of back-to-back LCs is nearly 13% of the US\$45.5 billion worth of LC openings. However the inflow of work orders from international clothing retailers and brands to Bangladesh has slowed because of the persistently higher cost of living in the western world and a pile-up of apparel stocks at stores. Export earnings in March'23 declined by 2.49% to USD 4.64 bio YOY after five months due to decreased apparel shipment. Also the orders for April-June season declined by 20% to 40% because of higher inflation in the western economies stemming from the ongoing Russia-Ukraine war, as per the exporters.

**Outlook:** Though import payments are expected to reduce in coming months, BDT is expected to remain under pressure against USD as foreign currency inflows are still not sufficient enough to cover outflows.

### Global Currencies

#### EURUSD 0.74% weekly change ↑

EUR/USD has lost its traction and declined below 1.0900. Quarter-end flows seem to be allowing the US Dollar find some demand but the risk-positive market environment seems to be limiting the pair's downside. For a bullish resumption, EUR/USD buyers must reclaim 1.0900, followed by 1.0929.

#### GBPUSD 0.84% weekly change ↑

GBP/USD has edged lower after having tested 1.2400 but remained on track to end the third straight week in positive territory. The upbeat mood remains intact after soft PCE inflation data from the US, making it difficult for the US Dollar to continue to gather strength.

#### AUDUSD 0.60% weekly change ↑

The AUD/USD pair retreats sharply from over a one-week high, around the 0.6735-0.6740 region and continues losing ground. Focus remains on US PCE Price Index. From a technical perspective AUD/USD is consolidating within a dominant short-to-medium-term downtrend that began in January 2023. The overall environment, therefore, favors bears.

#### USDJPY 1.61% weekly change ↑

USD/JPY retreats from a two-week high, though lacks follow-through selling. The USD pares intraday gains on softer inflation data and acts as a headwind. The risk-on environment undermines the safe-haven JPY and to lends support.

#### USDCNY (No change)

USD/CNY bounce delays deeper drop; Japan curbs chip exports. USD/CNY rebounds to 6.8587 from Fri low 6.8435. Initial drop cued by o/n risk-on, strong China PMI data. Manufacturing and services PMI both beat forecasts. Services PMI at 12-yr high bodes well for domestic push. But geopolitics a concern as Japan curbs chip exports.

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## Money Market and Interest Rate

### Money Market

Item	Avg. Vol. (Cr.)	% Δ (Vol.)	WAR	% Δ (WAR)
Call	4,627.22	3.43%	6.07%	0.04%
Repo	5,443.74	33.61%	6.58%	-0.03%
Term	55.6	-33.21%	8.41%	-0.07%

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 trillion at then end of Dec'22 from 2.467 trillion at end of Nov'22. **Auction:** Auction for 91D & 182D were held on 2nd Apr'23 where the yield increased by 15bps for 91D and by 5bps for 182D. BDT 1738.50 Cr from 91D & 2142.60 Cr from 182D devolved on BB.

**Outlook:** Liquidity stress is expected to persist owing to plummeted deposit growth and lack of money making.

### Interest Rate

Three issues would be dictating the upcoming fiscal year's budget: the International Monetary Fund's conditions, the persistently high inflation and next year's national election. Budget size might stand at BDT 7.698 trillion, against the current outlay of BDT 6.78 trillion, 12% increase, due to a 35% increase in subsidies and incentives, coupled with 27% rise in allocation for debt servicing and 6% rise in annual development programme (ADP). But the ADP implementation fell to a record low 32.1% (down 3.7ppts YoY) in the first 8 months of FY23. Tax revenue posted 12.32% growth in July-Jan FY23 compared to same time of FY22. The government has planned to increase non-tax revenue collection to BDT 46,000 crore in the forthcoming fiscal year, which may result in additional costs for citizens to avail of certain government services.

In a bid to overcome the chronic problem of Bangladesh not being able to utilize foreign aid in the pipeline because those being subject to strict oversight and accountability measures to ensure that it is used effectively and transparently, the government has finally stepped in and taken the initiative to expedite projects stuck in the approval process for a long time, according to planning ministry officials. This may add some FCY balance to our external reserve.

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

### Capital Market

- According to the modified bill to amend the Bank Companies Act, all corporate bonds and debentures have been excluded from the banks' investment portfolio components that in total cannot exceed 25% of a bank's total equity for the sake of the development of the bond market.
- The IPO subscription of Trust Islami Life Insurance will begin on April 3, aiming to raise BDT 160 Mn from the stock market under the fixed price method.
- In an attempt to boost demand for stocks, BSEC has designed a way so that mutual funds inject more money in listed securities. At present, mutual funds, other than a few which have secured fund-specific exemptions based on their nature and investment style, each have to park at least 60% of its assets in publicly traded securities.

## Market Synopsis

### Treasury Bill & Bond Yields

Latest Issue Date	Tenor	Latest Yield	Previous Yield
03-Apr-23	91 Days	6.50%	6.35%
03-Apr-23	182 Days	7.10%	7.05%
29-Mar-23	364 Days	7.49%	7.39%
05-Mar-23	2 Years	8.03%	8.13%
09-Mar-23	5 Years	8.20%	8.21%
15-Mar-23	10 Years	8.45%	8.34%
22-Feb-23	15 Years	8.70%	8.65%
22-Feb-23	20 Years	8.80%	8.75%

### USD SOFR

Tenor	SOFR
Overnight	4.82000
1M	4.80247
3M	4.90855
6M	4.89968
1Y	4.73451
Source	Refinitiv, CME Term SOFR

### Commodities

Tenor	SOFR	Commodity (unit)	Latest Price	Weekly
Overnight	4.82000	Brent Crude Oil (BBL)	79.77	6.37%
1M	4.80247	Gold (OZS)	1967.90	0.47%
3M	4.90855	ICE-US Cotton (LBS)	82.78	8.15%
6M	4.89968	Soybean (BSH)	1505.40	5.41%
1Y	4.73451	Wheat (BSH)	692.20	0.55%
Source	Refinitiv, CME Term SOFR	Sugar (LBS)	22.25	6.87%
		Palm Oil (Tonne)	919.00	8.50%
		Steel (Tonne)	1164.00	10.12%

### USD LIBOR

Tenor	LIBOR
1M	4.85771
3M	5.19271
6M	5.31300
1Y	5.30529
Source	Refinitiv

### Capital Market

Tenor	LIBOR	Index	Value
1M	4.85771	DSEX	6,206.80
3M	5.19271	FTSE 100	7,631.74
6M	5.31300	Nikkei 225	28,041.48
1Y	5.30529	Dow Jones IA	33,274.15
Source	Refinitiv	S&P 500	4,109.31

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

Indicator	India	Pakistan	China	Bangladesh
CPI (YoY)	6.44%	31.5%	1.00%	8.71%
GDP Annual Growth Rate	4.4%	5.97%	2.9%	6.50%(P)
Policy Repo Rate	6.5%	20.00%	3.65%	6.00%
Government Bond 10Y	7.32%	15.28%	2.86%	8.34%

### Released Economic Data (G8 Countries)

Indicator	USA	UK	Eurozone	Japan
CPI (YoY)	6.00%	10.4%	6.9%	3.3%
GDP Growth Rate	2.6%	0.01%	0.00%	0.00%
Unemployment Rate	3.6%	3.70%	6.6%	2.6%
Base Rate	5.00%	4.25%	3.50%	-0.10%
Government Bond 10Y	3.47%	3.49%	3.11%*	0.32%

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

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