

Currency Outlook

USDBDT Exchange Rate

The opening and settlement of letters of credit (LCs) in Bangladesh fell 26.80 per cent and 8.15 per cent year-on-year in the July-April period of the current financial year, central bank figures showed. The central bank has taken moves to curb the imports of non-essential and luxury items in order to stop the erosion of the foreign currency reserves. FX reserves currently stand at USD 30.179 bio (18 May). BB is taking various initiatives to increase FX reserves. Governor has mentioned simplifying the remittance-sending process, utilizing mobile applications and mobile financial services, addressing trade mis-invoicing and cracking down on hundi - an illegal yet widely used money transfer system. He said that an additional US\$ 2 billion in remittances could be received if the demand for hundi is curbed and the money-sending process is simplified. He also attributed the financial account deficit and reserve erosion to the repayment of short-term external loans by local businesses.

The Bangladesh Bank has brought down the volume of Export Development Fund to \$4.77 billion from \$7 billion in compliance with the International Monetary Fund's condition to change the calculation of foreign exchange reserves as per international standards. BB officials said that the size of EDF loans would be further reduced to \$2 billion by September.

Outlook: Though import liabilities are reducing, financial account is emerging as a challenge for Bangladesh external reserve.

Global Currencies

EURUSD -0.42% weekly change ↓

EUR/USD bounces back from weekly lows, trading at 1.0818 following Jerome Powell's comments about a potential pause in the Fed's tightening cycle. In addition, a risk-on impulse dented an upbeat market sentiment, weighed in the US Dollar. Some follow-through selling will reaffirm the bearish bias and drag the EUR/USD pair below the 1.0700 mark.

GBPUSD -0.10% weekly change ↓

GBP/USD stages a goodish recovery from over a three-week low amid a modest USD pullback. Any meaningful recovery attempt might continue to attract fresh sellers ahead of the 1.2500 psychological mark and remain capped near the 1.2530 support-turned-resistance

AUDUSD 0.06% weekly change ↑

AUD/USD is rebounding toward 0.6650, having picked up fresh bids amid a pause in the US Dollar. The Aussie remains unfazed by the renewed US-Sino worries after US and Taiwan reached a deal on the first part of the '21st Century' trade pact.

USDJPY 1.65% weekly change ↑

USD/JPY prints the first daily loss in seven days around 138.50 even as bears struggle amid the market's indecision. In doing so, the Yen pair prods a four-day-old ascending support line, as well as short-term ascending trend lines, to challenge the Yen pair sellers.

USDCNY 0.70% weekly change ↑

USD/CNY falters; state banks seen acting to stem yuan slide. Authorities may be balking at speed of yuan fall. Yuan has tumbled as much as 1.5% vs USD since China CPI miss. Further losses possible if US debt deal struck.

Money Market and Interest Rate

Money Market

Item	Avg. Vol. (Cr.)	% Δ (Vol.)	WAR	% Δ (WAR)
Call	5,924.45	-21.37%	6.03%	0.023%
Repo	5,117.72	-3.67%	6.22%	-0.07%
Term	51.8	-4.79%	8.30%	0.36%

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 bio at then end of Dec'22 from 2.467 bio at end of Nov'22. **Auction:** Auction for 91D,182D,364D was held on 21st May'23 where the yields for 91D&364D increased by 6 & 10 bps respectively and yield for 182D remained unchanged. BDT 1065.79 Cr from 91D, 1137 Cr from 182D & 771.70 Cr from 364D were devolved on BB. **Outlook:** Liquidity stress is expected to persist owing to plummeted deposit growth and lack of money making.

Interest Rate

Government's bank borrowing for deficit financing between July 01 and May 22 stood at approx BDT 834 billion. Of this funds, the central bank alone paid approx BDT 680 billion to the government through buying government securities itself through the devolvement. Analysts predict that Government's bank borrowing may surpass the target of BDT 1.06 bio for FY23, considering the remaining period and typical rise in borrowing in this time.

The total revenue mobilization in July- February of this fiscal year amounted to Tk 2.33 trillion or 54% of the annual target of Tk 4.33 trillion. The non-NBR tax collection was too poor-27% of the target.

The net sales of the national savings certificates recorded negative growth at Tk 41.61 billion as the maturity payments were higher than the fresh investment.

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

Capital Market

- The stock market is witnessing a rise in foreign investments as the dollar market in Bangladesh started to become stable after months of volatility. DSE data shows, foreign investors bought more shares than they sold in April this year, which increased their net investment in the market to Tk81 crore compared to just Tk3 crore in March
- Regulators' zero tolerance against stockbrokers' diversion or misuse of clients' idle cash helped reduce the deficit in the brokerage industry's consolidated customer accounts (CCA) to below Tk48 crore from over Tk500 crore found later last year. According to the regulatory report, only nine of the Dhaka Stock Exchange (DSE) brokers had deficits in their CCAs, down from 87 nearly nine months ago.
- BSEC is becoming stricter in realising unclaimed and undisbursed dividends from companies listed on the country's stock market. The companies will have until 30 June to deposit the undisbursed dividends to the Capital Market Stabilisation Fund (CMSF)

Market Synopsis

Treasury Bill & Bond Yields

Latest Issue Date	Tenor	Latest Yield	Previous Yield
22-May-23	91 Days	6.70%	6.64%
22-May-23	182 Days	7.02%	7.05%
22-May-23	364 Days	7.70%	7.60%
03-May-23	2 Years	8.03%	8.13%
10-May-23	5 Years	8.50%	8.26%
24-Apr-23	10 Years	8.60%	8.45%
22-Feb-23	15 Years	8.70%	8.65%
22-Feb-23	20 Years	8.80%	8.75%

USD SOFR

Tenor	SOFR
Overnight	5.05000
1M	5.09373
3M	5.16347
6M	5.14653
1Y	4.87766
Source	Refinitiv, CME Term SOFR

Commodities

Commodity (unit)	Latest Price	Weekly Change
Brent Crude Oil (BBL)	75.58	1.90%
Gold (OZS)	1976.56	-1.72%
ICE-US Cotton (LBS)	86.72	7.69%
Soybean (BSH)	1307.25	-8.90%
Wheat (BSH)	605.00	-3.12%
Sugar (LBS)	25.78	-1.68%
Palm Oil (Tonne)	821.00	-4.42%
Steel (Tonne)	1094.00	-0.18%

USD LIBOR

Tenor	LIBOR
1M	5.13971
3M	5.39271
6M	5.46657
1Y	5.44457
Source	Refinitiv

Capital Market

Index	Value
DSEX	6,290.20
FTSE 100	7,756.87
Nikkei 225	30,808.35
Dow Jones IA	33,426.33
S&P 500	4,191.98

Released Economic Data (South Asia & China)

Indicator	India	Pakistan	China	Bangladesh
CPI (YoY)	4.7%	36.4%	0.1%	9.33%
GDP Annual Growth Rate	4.4%	5.97%	4.5%	6.50%(P)
Policy Repo Rate	6.5%	21.00%	3.65%	6.00%
Government Bond 10Y	7.00%	15.08%	2.72%	8.45%

Released Economic Data (G8 Countries)

Indicator	USA	UK	Eurozone	Japan
CPI (YoY)	4.9%	10.1%	7.0%	3.5%
GDP Growth Rate	1.1%	0.10%	0.10%	0.4%
Unemployment Rate	3.4%	3.90%	6.5%	2.8%
Base Rate	5.25%	4.50%	3.75%	-0.10%
Government Bond 10Y	3.68%	3.99%	3.27%*	0.40%

*10-Year Eurozone Central Government Bond Par Yield Curve

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